

The Incorporated Accountants' Journal

**The Official Organ of
The Society of Incorporated Accountants and Auditors**

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The death of Lord Ampthill, G.C.S.I., G.C.I.E., has removed an outstanding figure from the public life of Great Britain and India. As Pro-Grand Master of the United Grand Lodge of Freemasons in England he was best known to those Incorporated Accountants who are members of the Craft. The funeral took place at Chenies, Bucks, on July 10th, and memorial services were held at St. Margaret's, Westminster, and St. Paul's, Bedford, on the same date. Sir James Martin attended the former and Sir Thomas and Lady Keens were present at the latter.

Alderman Sir Thomas Keens, D.L., F.S.A.A., has been unanimously elected Chairman of the Bedfordshire County Council in succession to the late Lord Ampthill. Sir Thomas has been a member of the County Council since 1901, Chairman of the Finance Committee since 1915 and a County Alderman since 1919. Alderman Whitbread, Vice-Chairman, in moving his election, said that the financial policy of the County Council had been administered by Sir Thomas as Chairman of the Finance Committee in a more able manner than the Council had ever before experienced.

The London Passenger Transport Arbitration Tribunal, consisting of Mr. Joshua Scholefield, K.C., President, Sir James Martin, F.S.A.A., and Sir Philip Nash, K.C.M.G., which has been sitting mainly at Incorporated Accountants' Hall during the last eighteen months, brought its proceedings for the time being to a close on July 22nd, when several awards were made. The President, in disposing of the last claim before the Tribunal, said that the Tribunal was now up to date with its work and the three Commissioners

Professional Notes.

THE sixth International Congress for Scientific Management was opened by the Duke of Kent at the Central Hall, Westminster, on July 15th, in the absence of the Prince of Wales, who was unable to attend but who was present at the closing session on the 18th. We give in another column a report of the proceedings of the Congress in which Incorporated Accountants took a prominent part. The proceedings covered a wide field and included the discussion of a large number of papers on manufacturing, distribution, development, agriculture, education and domestic affairs. The numerous papers on the different subjects were not read at the Congress but published in advance, and at each session a Rapporteur summarised those relating to each section.

had completed their consideration of everything that was ready to come before them.

A scheme of fusion between the Chartered Institute of Secretaries and the Incorporated Secretaries' Association Limited was approved at special meetings of the two bodies held last month. A poll at the Chartered Secretaries' meeting recorded 2,907 votes for the fusion and 104 against. The scheme is subject to the sanction of the Crown and the Privy Council of amendments to the Chartered Institute of Secretaries Bye-Laws, as that Institute operates under a Royal Charter. The present Fellows and Associates of the Incorporated Secretaries Association will be admitted as Fellows and Associates of the Chartered Institute, the title of which will remain as at present, its full description being "The Chartered Institute of Secretaries of Joint Stock Companies and Other Public Bodies." The membership of the Chartered Institute, which was founded in 1891, is 7,313, and that of the Incorporated Secretaries, which was formed in 1907, is 3,463.

Last month we mentioned that the Chancellor of the Exchequer had indicated that he might be able to accept an amendment in revised form which would have the effect of admitting for the purpose of children's allowances for income tax purposes the case of a child over 16 years of age serving an unpaid apprenticeship to any trade or occupation. When the revised amendment came up for consideration on the report stage, however, the Chancellor expressed his regret that he could not see his way to accept it.

We publish this month the text of the Assurance Companies (Winding-up) Bill which has been introduced into the House of Lords on behalf of the Government. The Bill gives power to the Board of Trade by notice in writing to require an Assurance Company to furnish such explanations, information, accounts, balance sheets, &c., as may be considered necessary for the purpose of determining whether the company is insolvent, and such accounts and information may be required to be signed by directors and officers of the company and to be certified as correct by an auditor approved by the Board of Trade or by an actuary so approved or by both. If the company fails to comply with the notice, or the Board of Trade after considering the material furnished deem it expedient so to do, the Board may serve upon the company a notice in writing stating that

they propose to appoint one or more inspectors to investigate the affairs of the company and report thereon, and if the company objects the Board may apply to the Court for leave to make the appointment.

In connection with the affairs of Brittains Motors, Limited, Brighton, a point of some importance to liquidators of companies came before the Court of Appeal a few days ago. Apparently the liquidator of the company had distributed the surplus assets to the shareholders without making provision for a contingent liability of the company under two leases which had been assigned to another company, and in respect of which, at the time of the action, there was a considerable liability for rent which the assignee company was unable to pay. The liquidator's defence was that there was no rent due at the date of the liquidation and that although he had advertised in the *London Gazette* no claim was received. In the lower Court Mr. Justice Bennett held that the liquidator had committed a dereliction of his statutory duty in distributing the company's assets while the liability for future rents remained, and that he was liable to the plaintiff company for damages. This decision has now been affirmed by the Court of Appeal.

In giving judgment the Master of the Rolls said that the liquidator had made a mistake. In considering the position he had formed the erroneous impression that when the assignment of the leases took place the liability ceased, and had failed to appreciate that there was still a liability under the leases in the event of the assignees defaulting. The claim by the landlords was clearly a contingent liability in respect of which they could have brought in a proof, and if the liquidator had done his duty he would have seen that the claim was provided for. The title of the case was *James Smith & Sons (Norwood), Limited, v. Goodman*.

The Crown were successful in their recent appeal against the decision of Mr. Justice Finlay in the case of the *Inland Revenue v. Crawshay*, referred to in these columns in May last. Mr. Crawshay and his sisters were entitled to the income under a trust created by their father, subject to the payment of an annuity to the widow. The Trust funds consisted partly of British Government stocks and partly of Foreign and Colonial stocks. Mr. Crawshay was ad-

mittedly not resident in this country and claimed repayment of income tax on the basis that the annuity was payable primarily out of the income from the British Government stocks, although no appropriation of such stocks had in fact been made by the trustees. The Special Commissioners and subsequently Mr. Justice Finlay, considered that, as there was ample English income to cover the annuity, it could be assumed that the trustees had used it for this purpose, but in the Court of Appeal it has now been held that, as the trustees had not appropriated the home income for the service of the annuity, there were no grounds for assuming them to have done so, and Mr. Crawshay was therefore not entitled to the income tax repayment which he claimed.

Another income tax case which came before the Court of Appeal recently was that of *Hall v. Marians*. Mr. Marians was resident in this country and his wife had a share in a business in Colombo, the income from which was invested from time to time in Indian Bonds. On the security of these bonds Mrs. Marians obtained an overdraft in London, and in the year 1930 the overdraft was transferred to Colombo and shortly afterwards paid off out of the proceeds of sale of bonds.

In the first instance the Inland Revenue Authorities claimed tax on the amount of the overdraft on the ground that the liquidation thereof in Colombo was equivalent to a remittance of that amount to this country, but it was held by Mr. Justice Finlay that this was not so. Subsequently assessments were raised for the year 1930-31 on the basis that the transfer of the overdraft to Colombo represented a constructive remittance to this country and also for each of the earlier years on the alternative ground that the income was received in this country over the period during which the overdraft was contracted. In the King's Bench Division Mr. Justice Finlay upheld the assessment for 1930-31, but discharged the assessments for the earlier years. Both Mr. Marians and the Crown appealed against this decision and the Court of Appeal have now allowed Mr. Marians's appeal and dismissed the cross appeal of the Crown.

The *Financial Times* calls attention to the difference in procedure on the death of a shareholder in the case of companies governed by the Companies Act, 1929, and statutory companies, which are governed by the Companies Clauses

Act, 1845. In the case of the former the personal representative can transfer the interest of the deceased shareholder without becoming registered as a member, but under the Act of 1845 this does not apply. Some little time ago two large railway companies who discovered that they had been acting irregularly in this matter issued a circular in which they said : "The directors are advised that when the death of a proprietor has been duly proved to the satisfaction of the company the name of the deceased person should be removed from the register and the name of the executor or administrator inserted therein without any reference to the representative capacity."

In our May issue we referred to the case of *Dewar v. Commissioners of Inland Revenue*, in which a legatee allowed the interest on an unpaid legacy to stand over although the estate was sufficient to enable it to be paid, thereby avoiding surtax liability. The case has now come before the Court of Appeal, who have affirmed the decision of Mr. Justice Finlay to the effect that the tax was not chargeable in the meantime because no interest had been received and that until the legatee had either definitely renounced the interest or taken it, it was impossible to say what the position would be for tax purposes.

In the case of *McKenna (Inspector of Taxes) v. Eaton-Turner* the Court of Appeal have decided that an employee of a company, no part of whose duties was performed in the United Kingdom, may, nevertheless, be liable to assessment to income tax in this country. Mr. Eaton-Turner was employed by a gold mining company which carried on business in West Africa but had its registered office in London. It was admitted that for all the years in question, except the first year, he was legally resident in the United Kingdom, having a wife and children there and a house, and that the main part of his remuneration was paid in the United Kingdom; but the contention of Mr. Eaton-Turner was that these circumstances were irrelevant and that his office was not an employment of profit within the United Kingdom for any of the years of assessment.

Their Lordships decided that the case came within the provisions of Schedule D 1 (a) (ii) (as transferred to Schedule E by Section 18 of the Finance Act, 1918) which states that tax under that Schedule shall be charged in respect of "the annual profits or gains arising or accruing to any person residing in the United Kingdom from any trade, profession, employment or vocation,

whether same be respectively carried on in the United Kingdom or elsewhere."

The Court of Appeal have decided in the case of *Kelly v. Rogers* that the fact of a taxpayer having left the district is no bar to an assessment being raised in respect of a past period when the taxpayer was actually resident there. In the first instance it was held by the Special Commissioners that the assessment was bad, but this was reversed by Mr. Justice Finlay, and the Court of Appeal have now affirmed his decision, the ground of which was that as Mrs. Rogers was living in the district when the general notices with regard to income tax for the year in question were issued, she acquired a status of taxability in that district which could not be affected by any subsequent removal.

The *Journal of Accountancy*, New York, states that, in common with many other technical magazines, it has looked with doubt and distrust upon most of the things that have been proposed since the beginning of 1933 under the generic name of the "new deal," and now welcomes what it describes as the process of repudiation which took place on May 27th when the Supreme Court of the United States in three far-reaching and unanimous decisions destroyed the National Recovery Administration. The editor adds that it is difficult to write upon this subject without indulging in self-satisfied rejoicing, but it is nevertheless necessary to remember that while the temptation is great the need for calm, dispassionate contemplation is greater. Continuing, he says : " Probably few of us ever really thought, deep in our hearts, that all these strange things which were paraded before us would be accepted as part of the organic entity which we like to describe as American. But all of us were worried and anxious, and most of us as we read the papers on May 27th felt like Bunyan's hero of *Pilgrim's Progress* when the burden fell from his back."

At the annual meeting of the Law Society Mr. Barry O'Brien made a vigorous protest against the provisions of the Solicitors' Bill, 1935, one of which is that any person entering into articles of clerkship must produce to the Law Society evidence of character of a kind conforming to regulations to be made by the Society, and giving the Society power to cancel articles on the application of the solicitor or the clerk if one or the other is absent for three months. As a solicitor who often accepted articled clerks, Mr. O'Brien considered this attempt to take the choice out of his hands to be a calculated insult,

as it suggested that a practising solicitor of experience was not capable of using his own judgment of character. The reply of the President of the Law Society was that all the provincial Law Societies had considered the Bill and approved it.

TRUSTS AND SHARE REGISTERS.

THE Companies Act, 1929, sect. 101, provides that no notice of any trust, expressed, implied, or constructive, may be entered on the register, or be receivable by the registrar, in the case of companies registered in England.

It is highly important not to throw any doubt on the principle that companies have nothing whatever to do with the relations between trustees and their *cestuis que trust* in respect of the shares of the company. If a trustee is on a company's register as the holder of shares, the relations which he may have with some other person in respect of the shares are matters with which the company have nothing whatever to do ; they can look only to the man whose name is on the register. If any doubt were thrown upon that rule, it would make the carrying on of their business by limited companies extremely difficult, and might involve those companies in very serious questions, the ultimate result of which would be anything but beneficial to the holders of shares in such companies themselves.

It follows, therefore, that if a person gives notice to the company that he claims an equitable interest in the shares registered in the name of another person, the company is not bound to take notice of such trust, and may not enter notice of it in its register, and the company will not be liable for allowing the registered holder to deal with his shares without regard to such equitable interest, unless at the time of registering a transfer the directors registering the same actually know that the transfer is a wrongful one ; but sect. 101 does not allow a company to advance money to a shareholder after notice of the interest of another person, and then by virtue of the doctrine of tacking or otherwise, to claim priority over such other interest. Although notice will not affect a company in its duty of keeping a register, it will affect it in its character as a trader.

By sect. 69 of the Act of 1929, the production to a company of any document which is by law sufficient evidence of probate of the will or letters of administration of the estate, or confirmation as executor, of a deceased person

having been granted to some person must be accepted by the company, notwithstanding anything in its Articles, as sufficient evidence of the grant.

Companies are usually anxious to induce persons who are entitled to shares on the death or bankruptcy of a member to become members in order that they may have some person liable for calls unpaid on the shares, and in consequence Articles of Association usually provide that any persons entitled to shares on death or bankruptcy of a member shall be entitled to be registered upon producing such evidence as the directors may require. Not infrequently pressure is brought on such persons to register by depriving them of some of the rights of membership until they do so register. Such an Article will be construed so as not to interfere with the advantages of membership, and indeed some of such advantages cannot be taken away by any Article.

Executors of a deceased member of a company who have not had his shares registered in their own names have the same right to dissent from a reconstruction scheme adopted under sect. 284 of the Companies Act, 1929, and to restrain the liquidator from carrying out the scheme without purchasing the shares as the deceased member would have had if living. Articles of Association forbidding executors to exercise the rights of a member until they have been registered refer to the exercise of rights on their own behalf and not on behalf of their testator's estate (*Llewellyn v. Kasintoe Rubber Estates*, 1914).

Where the Articles place restrictions on the right to transfer, they should also place restrictions on the right of persons entitled to claim by reason of death or bankruptcy, for such persons claim by transmission. A company is not entitled to make an entry in its register showing the character in which the personal representative or trustee holds shares.

If the probate is produced by executors, this will only give the company notice of the names and addresses of the executors and the company cannot assume there has been a breach of trust merely because one executor who has signed a transfer purports to revoke his signature. Apart from special provisions to the contrary, the executors or administrators of a deceased member or the trustee in bankruptcy of a bankrupt member may exercise the voting rights of the deceased or bankrupt member.

The right of an executor to vote at all meetings after an unqualified admission of his right to vote has been given by the directors, was upheld in *Marks v. Financial News* (1919).

ERRORS IN MECHANICAL ACCOUNTING.

[CONTRIBUTED.]

MECHANICAL devices taken as a whole are not perfect, although with a few exceptions they are nearly so. The errors that occasionally arise are almost entirely due to defective operation, although the operators are not in most cases aware that they have been the cause. Machines which are either new or in good condition rarely give any ground for complaint provided they are operated with proper touch and care. On the other hand, if the apparatus is well worn, incorrect figures, whether arising from additions, subtractions, multiplications or divisions, are more likely to occur. For example, slipping of well-worn cog wheels can cause much trouble.

Perhaps the mechanical device from which the least reliable results are obtained is the turnstile. Variations between the figures produced by it and the tickets issued are quite prevalent. The probability is that the fault lies mainly, if not wholly, with the operator. In other words, this apparatus is probably treated less carefully than any other. There are, however, defects or peculiarities in certain machines which are not due to wear and tear and which give rise to wrong results. For instance, in the case of a certain key-drive machine, if a key be fully depressed it registers, say 9, and if partly depressed gives any figure from 1 to 8; but being a "9" key it is presumed to have functioned as a 9. There is another key-drive machine the keys of which cannot be partly depressed without signalling that a faulty operation has been made, but which if jerked instead of simply being depressed with a straight even touch, will function as a figure other than that which it is supposed to represent and will consequently give an incorrect result.

Those who operate mechanical devices make mistakes sometimes through carelessness and in other cases by reason of incompetence. Whatever the reason, every effort should be made to discover the defects and to remedy them immediately. Anyone known to be careless or incompetent ought not to be trusted with machine operation. By the term "incompetent" is meant one who is either insufficiently trained or, having had a normal period of instruction, is proved to be unsuitable for this particular kind of work. Some persons will never make good office machine workers through no fault which they can over-

come. As a rule it is inadvisable to send for training in a recognised school, or to endeavour to train in the office, an existing member of the staff unless that person has a definite aptitude for the work. Expert operators who can be vouched for should be appointed specially for machine work. This in the long run will be found to result in real economy.

Operators need a certain amount of rest. Obviously if they are over-worked, whether by "speeding up" or by prolonged application, defective work will result. As already indicated faulty touch is another cause of inaccuracies, while omission to clear the machine of any figure left in from a previous operation and defective vision (especially when using the small lever-setting type of apparatus) are further factors which lead to trouble. Adoption of machines of the most appropriate type for the particular kind of work, performance by the right kind of operator and attention to the other points mentioned will do much to reduce defective results to a minimum. It is advisable, however, to take other precautions where practicable, such as repeating the operations on another machine by a different operator or a second performance of the work by the same operator but not immediately after the work has first been done. Seldom, if ever, should a single calculation be relied upon which leads to a figure the approximate amount of which is unknown. The main object of machines is to prevent clerical errors, and for that purpose an auditor or the manager of a business may reasonably rely upon a mechanical system, though not necessarily on a single calculation. The system should, as far as possible, be so arranged as to afford some proof of the accuracy of the results.

Obituary.

ARTHUR RICHARD KING FARLOW.

The news of the death of Mr. Arthur Richard King Farlow, F.C.A., F.S.A.A., after a short illness, came as a great shock to his many friends. He was living in retirement at Sandgate, Kent, where he died on Sunday, July 7th. Arthur Richard King Farlow was the second son of the late Mr. John King Farlow, of Wood Lee, Virginia Water, Surrey, and of 118, Cannon Street, London, E.C., a well-known member of the City Corporation. Mr. Arthur Richard King Farlow was articled to the late Mr. Charles Chatteris, of Messrs. Chatteris, Nichols and Co., and at the expiration of his articles in the year 1882, the firm of Martin, Farlow & Co., was established in conjunction with Mr. James Martin. Both partners were very young men, and it is somewhat of a romance in the accountancy profession that the practice founded by these

two youthful accountants was continued by them, with the assistance of other partners who joined the firm from time to time, down to the year 1931 (a period of 49 years), when both the senior partners retired simultaneously, leaving the practice to be carried on by the remaining partners.

The late Mr. King Farlow became an Associate of the Institute in the year 1883, and a Fellow in 1889. He was subsequently elected a Fellow of the Society in the year 1900, from which time his firm practised as "Incorporated Accountants." Although he did not take a leading part in the affairs of the Society, he was always the faithful friend and supporter of his partner in his work for Incorporated Accountants. He was the Honorary Treasurer of the Incorporated Accountants' Students' Society of London from 1908 to 1933, and he became a Vice-President of the Incorporated Accountants' Benevolent Fund in the year 1927. A lover of outdoor sports, he was the winner of many trophies which adorned his home. Shortly after his retirement from practice, his friends noticed that his usual health was not well maintained, but his death was a surprise to all.

The funeral service was held at All Souls, Langham Place, London, W., on July 11th. The family mourners included Mrs. King Farlow, widow, Mr. A. Roland King Farlow, A.C.A., F.S.A.A. (son), Sir Sydney King Farlow Nettleton, Mr. Dudley King Farlow, C.C., and Mr. Vernon King Farlow, brothers, and several other members of the family. Sir James Martin, F.S.A.A., with Lady Martin, was present, and Mr. A. A. Garrett, M.B.E., F.C.I.S., represented the Council of the Society of Incorporated Accountants and Auditors. Mr. R. A. Witty, F.S.A.A., a Member of the Council of the Society, also attended. The firm of Martin, Farlow & Co. was represented by the following partners, in addition to Mr. Roland King Farlow: Mr. William Strachan, F.S.A.A., Mr. Percy C. Miali, F.C.A., F.S.A.A., Mr. W. G. Strachan, F.S.A.A., and Mr. L. R. Treen, F.S.A.A., A.C.A. There was also a representative attendance of Messrs. Martin, Farlow and Co.'s staff.

FREDERICK ROBERT PETTY.

We learn with regret that Mr. Frederick R. Petty, F.S.A.A., died on June 27th, at the age of 60. Mr. Petty had been a member of the Society of Incorporated Accountants and Auditors for 30 years, and since 1907 carried on practice in Keighley. He was an active worker on behalf of a number of charitable organisations, especially the National Society for the Prevention of Cruelty to Children, of which he was an honorary council member and Honorary Secretary of the Craven branch. He was also Secretary to the Airedale Drainage Commissioners. During the war he was section leader in the Keighley Division of the Special Constabulary, and his work for war charities was recognised in a letter of thanks from the Secretary to the Prince of Wales.

The Institute of Cost and Works Accountants.

EXAMINATION RESULTS.

The results of the half-yearly examinations of the Institute of Cost and Works Accountants, held in June, 1935, are now published. Sixty-three of the 200 Intermediate candidates and 52 out of the 111 Final candidates are awarded a pass.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held on Thursday, July 18th. Present : Mr. R. Wilson Bartlett (President) in the chair, Mr. Walter Holman (Vice-President), Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. W. Allison Davies, Mr. R. T. Dunlop, Mr. F. Holliday, Sir Thomas Keens, Mr. Edmund Lund, Sir James Martin, Mr. Henry Morgan, Mr. James Paterson, Mr. W. H. Payne, Mr. William Paynter, Mr. Percy Toothill, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary), Mr. E. E. Edwards (Parliamentary Secretary), and Mr. J. R. W. Alexander.

Apologies for non-attendance were received from Mr. A. Stuart Allen, Mr. D. E. Campbell, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. C. Hewetson Nelson, Mr. A. E. Piggott, Mr. Alan Standing, Mr. A. H. Walkey, Mr. F. Walmsley, Mr. E. W. C. Whittaker, and Mr. F. Woolley.

HONOURS.

The Vice-President offered the congratulations of the Council to the President on the recent announcement that the King had been pleased to approve the appointment of Mr. R. Wilson Bartlett as a Knight of Grace of the Order of St. John of Jerusalem. The Council adopted a resolution of congratulation to Sir Stephen Killik, F.S.A.A., Lord Mayor, on the honour conferred by His Majesty of K.C.V.O. The President referred with pleasure to the fact that Mr. W. Allison Davies, F.S.A.A., a member of the Council, had been gazetted C.B.E.

INTERNATIONAL CONGRESS FOR SCIENTIFIC MANAGEMENT.

The thanks of the Council were accorded to Mr. Richard A. Witty and Mr. R. T. Warwick, for their able representation of the Society, and to Mr. Witty for his services as vice-chairman of the Finance Committee of the Congress.

EXAMINATION SYLLABUS.

The Council approved a recommendation from the Examination and Membership Committee that in future a list of books recommended for study should not form part of the syllabus, but that there should be appended thereto a more extended list of books for the guidance of candidates. From this list candidates could make their own selection.

PENSION SCHEME.

A contributory pension scheme for the Secretary and the Society's staff, prepared by a special sub-committee and recommended to the Council by the Finance and General Purposes Committee, was adopted, the scheme to come into operation as from January 1st, 1935. The Secretary expressed the cordial thanks of the members of the staff and himself for the scheme which the Council had adopted. The President stated that the Council were much indebted to Mr. Walter Holman, Mr. R. T. Warwick and Mr. Henry J. Burgess, the members of the sub-committee, for their valuable services in preparing the scheme.

DEATHS.

The Secretary reported the deaths of the following members :—Mr. Henry Otto Berend (Fellow), Durban ; Mr. George Capes (Fellow), London ; Mr. Alexander Chalmers (Associate), Manchester ; Mr. Henry Chapman (Associate), Worthing ; Mr. Albert Octavius Miller

(Associate), London ; Mr. Benjamin Freeman Newton (Associate), London ; Mr. William Edward O'Shea (Associate), Cork ; Mr. Cuthbert Llewellyn Lewis Parry (Associate), Cardiff ; Mr. Albert Henry Peberdy (Associate), Syston, Leicester ; Mr. Frederick Robert Petty (Fellow), Keighley ; Mr. Christopher Pix (Associate), London ; Mr. Eric Pendrell Smith (Fellow), London ; Mr. James Wilson (Fellow), Glasgow ; and Mr. William Gunner (Fellow), Croydon.

Mr. Henry Morgan referred to the recent death of Mr. A. R. King Farlow, who for many years was a Fellow of the Society, and who during the whole of his professional career had taken an intimate personal interest in the Society's organisation.

SPECIAL COUNCIL MEETING.

A special meeting of the Council was held on Thursday, July 18th, 1935. Upon consideration of a report from the Disciplinary Committee, Mr. Reginald Richard Clark (Associate), Manchester, was excluded from membership of the Society.

QUESTIONS IN PARLIAMENT.

Statute Law (Revision).

On July 8th Sir A. WILSON asked the Attorney-General whether and, if so, when it is proposed to introduce a further Bill to promote the revision of the Statute Law in continuation of the Statute Law Revision Act of 1927 ?

Mr. BLUNDELL (Lord of the Treasury) : I have been asked to reply. A Statute Law Revision Bill is in course of preparation, and it is hoped will be ready for introduction next year. The Bill in course of preparation deals with the early part of the Statute Book, and therefore involves a very large amount of research.

Income Tax.

On July 1st, in reply to a question by Captain ERSKINE-BOLST, the Financial Secretary to the Treasury said that in the year 1933-34 the net produce for each penny of the standard rate of income tax was £3,967,000.

Income Tax (Co-operative Societies).

In reply to a question by SIR JOHN POWER, the Chancellor of the Exchequer stated that it was estimated that the income tax payable by industrial and provident societies for the year 1934-35 amounted to £1,100,000, including the tax payable under Schedules A and B as well as the additional tax imposed under the provisions of the Finance Act, 1933.

Building Societies.

On July 22nd, Mr. RHYNS DAVIES asked the Financial Secretary to the Treasury whether the Registrar of Friendly Societies will institute inquiries into any building society any part of whose assets has been wasted in advancing loans on domestic property, where it can be proved that defects exist or will manifest themselves and where vacation of premises has been due to the inability of occupier-owners to meet the avoidable financial outlay of remedying unsatisfactory materials, workmanship and construction.

Sir J. SIMON : I have been asked to reply. I am advised that the Registrar has no power to institute inquiries into the affairs of a building society except by appointing an inspector in the cases specified in sect. 5 of the Building Societies Act, 1894.

International Congress for Scientific Management.

The Sixth International Congress for Scientific Management was opened at the Central Hall, Westminster, on Monday, July 15th, by H.R.H. The Duke of Kent.

Sir GEORGE BEHARRELL, D.S.O., the Chairman of the Executive Committee, presided at the Session, and in welcoming the Duke of Kent said that this was the first time that the Congress had been held in the British Empire and it was fitting, therefore, that London, the capital of the Empire, should be the place to welcome the Congress. He was sure of the sympathetic appreciation of the delegates from those countries in which the Congress had previously been held, as they alone knew the tremendous amount of detail work arising from the organisation of such a Congress, particularly when it was remembered that this was the first occasion on which separate Agricultural and Domestic sections had been made. They had had to provide for nearly 2,000 delegates representing thirty-four countries, and if the British Commonwealth of Nations was separately listed, the number was over forty; over 200 papers had been received through National Committees. The subject matter of the Sections was without doubt interesting, but they had endeavoured also to introduce a leaven of hospitality which would give, particularly to the foreign visitors, an opportunity of obtaining contact with phases of our national life which the Congress proper could not portray. He was certain that the Congress was being approached in the spirit of how much each could contribute to the common good and not how much each could get out of it.

The DUKE OF KENT, in declaring the Congress open, said he was very glad to welcome that important Congress on Management. The Prince of Wales had asked him to express his regret that he was unable to attend that inaugural meeting, but was looking forward to being with them at the closing session on Thursday to hear some of the results of their deliberations. They were proud to know that some of the outstanding examples of well-developed and well-managed concerns were to be found in this country, and they were eager to study the causes of their success, and to learn how similar success had been achieved in other lands. They had endeavoured to provide arrangements and hospitality which, he hoped, would compare not unfavourably with those enjoyed by members who had attended similar congresses elsewhere. They had a very interesting series of papers to consider and discuss during the next three days. They were rendering a great service in focussing attention on the practical value of scientific method in the conduct of progressive enterprises, whether in commerce, industry, agriculture, or in the home, on which depended so much of man's efficiency and happiness in his other spheres of activity. As President of the Royal Agricultural Society, he was glad to hear that agriculture was being represented for the first time at those meetings. Being also connected with the Factories Department of the Home Office, he had the opportunity of studying at first hand the question of personnel and conditions in factories—in other words the important problem of the worker and his relationship to the machine—and he was very glad to note that the Congress was paying special attention to that question. In discussing questions of rationalisation, planning and systems, he was sure they would not overlook the fact that behind it all was the human being, whose welfare ultimately was bound to be the main issue. It was only

by pooling their knowledge and ideas that they could hope to surmount the difficulties of the future, and in their factories, their farms, and their homes, be ready to meet with confidence the changes and challenges of a developing civilisation. He wished them all success in their deliberations.

Government Intervention in Management Problems.

Professor Th. Limberg (Amsterdam) presided at the first Plenary Session on the Monday afternoon when the subject considered was "Management Problems arising from Government Intervention." Addresses were delivered by Mr. Francis E. Powell (President of the American Chamber of Commerce in London), S. Exc. Tassinari (Italy), Mons. R. Lelong (France), Dr. Vaclav Verunac (Czechoslovakia) and Mr. Geoffrey Mander, M.P.

The operation of the National Industrial Recovery Act in America was reviewed, and Mr. Powell said that everyone agreed that the Government ought not to conduct business. At the same time a certain amount of Government intervention and control was necessary in the present conditions of the world and, taking all the circumstances into consideration, he was of the opinion that the advent of the Government in business in the United States had not been a failure. Mr. Mander reviewed the position in this country and said that in our typically British way we were endeavouring by compromise to obtain the advantages both of State regulation and of individual enterprise combined in one structure. British employers, he thought, were inclined to look unfavourably on any Government intervention, and often to blame it unreasonably. Taking the long view he felt that Government intervention had so far been a direct aid to business in this country.

Reception at the Guildhall.

On the Monday evening the whole of the Delegates to the Congress, numbering about 1,800, attended a reception in the Guildhall by the Lord Mayor and Corporation of the City of London. The occasion was one which will live in the memories of all the overseas delegates.

The Lord Mayor (Sir Stephen Killik, F.S.A.A.), and the Lady Mayoress, accompanied by the Sheriffs and their ladies, received the guests in the library, and later there was dancing in the Guildhall, and a concert in the Council Chamber by past and present students of the Guildhall School of Music. The Art Gallery was open to the visitors, who were also privileged to see the many other artistic treasures of the City.

The organisation was perfect, and it should be mentioned that the Chairman of the Reception Committee was Councillor Henry J. Burgess, F.S.A.A., who received the hearty congratulations, particularly of his colleagues in the accountancy profession.

Technical Sessions.

On the Tuesday and Wednesday Technical Sessions were held in the six sections into which the Congress had been divided. On the Tuesday morning Mr. Richard A. Witty, F.S.A.A., presided at the Session of the Manufacturing Section when the subject for discussion was "Budgetary Control, Standards and Forecasts." The subject proved to be of real interest and a large number of delegates from many countries attended the session. The Rapporteur was Mr. A. Perry-Keene, who opened the session with a summary of the papers, which had been contributed and circulated in advance. He said that sufficient emphasis was not laid upon the necessity for new and more rapid methods of analysis and accounting; it was pre-eminently necessary in the case of fully applied budgetary

control to employ some system that would entirely keep pace with the fastest production, so that failures to attain the predetermined terms of cost were instantly detected. Mr. Perry-Keene submitted the following questions for discussion as being the essence of the papers submitted :—

- (a) The determination of the type of control to be established. Is it to be a "budget" that is an estimate, somewhat on the lines of the usual financial ones, allocating sundry expenses or payments to various sections, or is it to be a "budgetary control" of a vigorous and aggressive nature, commencing at general policy and permeating the whole undertaking down to each operation or process, all costs being predetermined?
- (b) What methods are to be applied, so that analysing and accounting can give constant and instant answers to the control rulings?
- (c) How are students to be trained in the new ideas and methods? At present there appears to be a dearth of entrants.
- (d) Should we not make far greater progress by cultivating a habit of negative thinking, that is, not to spend time over what we "have done" but pursue the problems in terms of "what have we not done"? This would eliminate the danger of accepting "standards" which may in themselves be insufficiently advanced, as it must be recognised in these days of rapid progress no costs should be regarded as static.
- (e) As a fully useful and effective control applies to all executive and personnel, what methods are to be adopted to keep every one in touch with facts and resultants, so as to establish a "synchronised" flow within the undertaking?
- (f) As policy is dictated by "markets," what steps must be taken to ensure a sufficiency of "market-mindedness" so that the possible market is correctly gauged and the Offices and Works may thereafter co-operate in one direction?

The discussion made it abundantly clear that budgetary control was a definitely constructive process provided that sufficient emphasis was placed on the word "control" which involved the setting of standards, the comparison of actual results with standards and the investigation which might be necessitated by that comparison.

At the afternoon Session in the Manufacturing Section the subject under debate was "*Methods of Controlling Production*" with particular reference to "*Scientific Methods applied to Works Management*." Mr. Robert Ashworth, F.C.A., F.S.A.A. was the Rapporteur, and in opening the discussion said that control of production might be briefly and simply defined as the attempt to obtain the maximum economic return on the capital employed in production by the prevention or prompt detection and elimination of all wastages and leakages, whether in purchasing, design, tooling, manufacture, inspection, or factory administration. This involved the proper arrangement and planning of every part of the production programme in relation to its whole and the careful setting of standards. It was often overlooked, however, that no system of production control could be successful in operation unless the following elementary principles were present before its institution :—

- (a) There must be a proper selection of factory management personnel, possessing adequate technical knowledge and having defined responsibilities. That is to say, there must be no overlapping or undermining of responsibility.

- (b) There must be a defined company policy as to the nature and quality of the production required.
- (c) There must be a defined company marketing policy, so that the factory may make provision for the utmost flexibility in planning its production programme and its system of control to meet those marketing conditions. This is vital, because, as you are well aware, the fruits of careful factory planning and production control may be entirely lost if the product is not available in sufficient quantities for delivery at the right time.
- (d) There must be an understanding and co-operative general management which not only allocates responsibility, but gives the authority and power to exercise that responsibility.
- (e) There must be a realisation on the part of the works management that industrial production is not entered upon merely to meet the needs of the highest technical efficiency, but to meet the requirements of the consuming public.

In concluding his report Mr. Ashworth submitted the following questions for discussion :—

1. Under what conditions, if any, is it desirable in practice to depart from the use of the sales programme as the basis of the production programme, by the substitution of factory capacity or factory capacity regulated by abnormal political or commercial change?
2. What influence upon production has the frequent revision of the production programme? To what extent is revision advisable or inadvisable?
3. How far is centralisation beneficial, or otherwise, to production planning or to the execution of the plan?
4. What influence have production incentives upon labour turnover, absenteeism, labour *morale*, and quality of product?
5. What are the effects upon labour of intense mechanisation and mass-production methods?
6. What is the most effective way of linking design with manufacture?
7. Should the functions exercised by purchasing and external traffic management be under the control of the works management, or should they be under separate but co-ordinated management?
8. What are the present day advantages of specialisation in manufacture?
9. What benefits have been gained in production from motion study?
10. Should the over-recovery of overheads, resulting from abnormal production in a boom financial period, be considered as profit of that period without reference to under-recoveries in depressed periods?

Luncheon to the Presidents of the Institute and Society.

After the Tuesday morning Session a number of Overseas visitors and other delegates were entertained to Luncheon at the Carlton Hotel by Mr. George R. Freeman, F.C.A., and Mr. Richard A. Witty, F.S.A.A. (Chairman and Vice-Chairman of the Finance Committee of the Congress) to meet the President of the Institute of Chartered Accountants in England and Wales, Mr. A. E. Cutforth, C.B.E., and the President of the Society of Incorporated Accountants and Auditors, Mr. R. Wilson Bartlett, J.P. The toast of "The Two Presidents" was submitted by Mr. Freeman, who welcomed all the delegates and paid tribute to the work of the Presidents who were controlling the destinies of the senior bodies of the accountancy profession. In responding, Mr. A. E. Cutforth, C.B.E., thanked the hosts for their hospitality and said that as

he was due to speak at the Congress dinner on the following evening he would leave the main burden of the response to the President of the Society. Mr. R. Wilson Bartlett, J.P., President of the Society of Incorporated Accountants and Auditors, said his principal duty and pleasure was to express their thanks to Mr. Freeman and Mr. Witty for their kind thought and generous hospitality in arranging that interesting luncheon. The organisers of this Congress rightly apprehended that the consideration of Scientific Management called for the active co-operation of the accountancy profession, and they were fortunate in securing as the Chairman and Vice-Chairman of the Finance Committee two such able and experienced members of that profession as Mr. Freeman and Mr. Witty. They must all be impressed with the comprehensive scope of the work of the Congress dealing with scientific management in many fields of occupation. The accountancy profession in these times of rapid and economic changes had watched with a discerning eye the new forms of organisation and management which had developed in the last ten years. It was too readily assumed that Scientific Management and the application of modern methods called for large sized undertakings in almost every direction, but he thought that view had lost some ground. It was important to be able to place at the disposal of all kinds of undertakings, whether large or small, whatever their activities, the best that science could offer and resources could afford, but he felt there was a danger lest the scientific temper might get the better of the human touch. That gave rise to one of the large problems before the Congress—how far the scientific temper could be brought to aid the human touch, and how far scientific methods could properly be applied and controlled by personal management and direction? The limits not less than the opportunities called for consideration. In world affairs science seemed to have outrun human control. That kind of danger was latent in those activities where their professional advice was sought. The universal experience of the accountancy profession was that management and sound finance were the keynotes of all progressive enterprise. Their happy experience of commercial success and their less pleasant experience of commercial failure, led equally to that conclusion. They would be grateful to the resources of thought and experience of that Congress to guide them in dealing with the new problems which time and changes would bring. He was glad to feel that at the commencement of his Presidency of the Society of Incorporated Accountants he had the privilege of being associated in some way with the work of that Congress and particularly at being at that function with the President of the Institute of Chartered Accountants and some professional colleagues.

The toast of "The Guests" was submitted by Mr. RICHARD A. WITTY, who said that even a small gathering of that character emphasised yet again the fact that although the accountancy profession in this country had not achieved unification in any concrete form, still there was obviously a unity of purpose binding all accountants closely together in the desire to be of yet greater service to the commercial community—and not only to the commercial community but to the whole body politic. It was in that spirit, Mr. Witty said, that all the accountancy bodies had responded to the invitation to take some part in the organisation of the Congress and it was in the same spirit that they had invited their guests to join with them at that little interlude in the sterner business of the technical sessions.

The toast was suitably acknowledged by Professor Limberg, the President of the International Committee for Scientific Management.

Dinner.

Some 500 delegates and friends dined together at the Grosvenor Hotel on the Wednesday evening when the chair was occupied by Sir GEORGE BEHARRELL, the principal speaker being Lord Eustace Percy. Amongst those representing the Society of Incorporated Accountants and Auditors were the President, Mr. R. Wilson Bartlett, Mr. H. J. Burgess, Mr. and Mrs. Robert Ashworth, Mr. and Mrs. R. T. Warwick, Mr. A. A. Garrett, and Mr. and Mrs. Richard A. Witty.

Closing Session.

The closing session was held on the Thursday morning, when the Prince of Wales attended and reviewed the work of the Congress.

The PRINCE OF WALES said he was very much interested to hear of their deliberations, because, although not actually engaged in any industrial enterprise, he was, and always had been, a very keen student of industrial affairs in all parts of the world. He shared the feeling that they must all have, that that Congress would be regarded as a notable landmark in the industrial progress of this and all the countries they represented. The important principles which had been the subject-matter of their discussions—dealing as they had with the training and selection of personnel, the working of the factory, the farm, and the home—must have created new lines of thought for them all. Technical development and management were very closely allied, and it seemed that the connection would become closer as time went on. They must all be very conscious of the great social problems which arose from the new developments in agriculture and in industrial organisation. He would recommend the young and ambitious men and women in business to follow the proceedings of that Congress very closely, because the information which the delegates had placed at their disposal might save them many years of painful experience. But possibly the most obvious appeal of the meetings and discussions was to those directly concerned in adapting industry to changing world conditions, because their responsibility for policy forced them to try and forecast future trends and developments. They had abundant evidence that the organised discussion of problems and the sifting of opinions and ideas at the five previous Congresses held in other countries bore valuable fruit in inspiration and increased efficiency. Conferences of that kind, where discussion could take place free and unfettered between delegates of all nations, played a very useful part in promoting international understanding. They did so because they encouraged members from the different countries to get to know one another well through seeking common objectives. He was sure that from every point of view the Congress had been worth while, and that those responsible for its organisation would feel that their labours had not been in vain. He hoped that the delegates who had come to Great Britain from all parts of the world would take away with them happy and pleasant recollections of this country and he wished them a safe return to their homes.

MR. R. WILSON BARTLETT, J.P.

It is announced in the *London Gazette* that The King has been pleased to sanction the promotion of Mr. R. Wilson Bartlett, J.P. (President of the Society of Incorporated Accountants and Auditors), to a Knight of Grace in the Venerable Order of the Hospital of St. John of Jerusalem. Mr. Wilson Bartlett was previously a Commander in that Order.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to and promotions in the Membership of the Society have been completed since our last issue :—

ASSOCIATES TO FELLOWS.

- BUDGE, KEITH EDWARD CHARLES, 9, Princess Square, Plymouth, Practising Accountant.
 BURTON, ALAN PEARSON, National Provincial Bank Chambers, Keighley, Practising Accountant.
 JENNINGS, THOMAS NATHAN, Premier House, 150, Southampton Row, London, W.C.1, Practising Accountant.
 KYRKE, ARNOLD GEORGE (Crompton & Co.), 10, Warwick Row, Coventry, Practising Accountant.
 LOMAX, WILFRID MORTON (Lomax, Clements, Gladstone & Co.), Greenwich House, 10-13, Newgate Street, London, E.C.1, Practising Accountant.
 MANN, LEONARD ARTHUR (Arthur E. Green & Co.), 100 to 106, Moorgate Station Chambers, London, E.C.2, Practising Accountant.
 NAISMITH, HAROLD JOHN (Wm. Towers, Naismith & Towers), St. James' House, 44, Brazennose Street, Manchester, 2, Practising Accountant.
 PETERKEN, JOSEPH HENRY GARFIELD, 17-18, Basinghall Street, London, E.C.2, Practising Accountant.
 TOWERS, WILLIAM (Wm. Towers, Naismith & Towers), St. James' House, 44, Brazennose Street, Manchester, 2, Practising Accountant.
 TOWERS, WILLIAM MAYNE (Wm. Towers, Naismith & Towers), St. James' House, 44, Brazennose Street, Manchester, 2, Practising Accountant.
 TUCK, WILLIAM LEWIS (Trevor Davies, Tuck & Co.), 160, High Street, Camden Town, London, N.W.1, Practising Accountant.

ASSOCIATES.

- BABB, WILFRID INGRAM, with Harper, Kent & Wheeler, Old Bank Buildings, Bellstone, Shrewsbury.
 BEYNON, IVOR RHYS, City Treasurer and Controller's Department, City Hall, Cardiff.
 BROWN, SIDNEY, with H. Tindall Sherwood & Co., Curry's Chambers, 115, High Street, Stockton-on-Tees.
 CHURCH, WINIFRED ANNIE, with Jackson, Pixley & Co., 58, Coleman Street, London, E.C.2.
 CLEMENT, DONALD JACK, with Solomon Hare & Co., 6, St. Stephen's Avenue, Bristol.
 CLOWES, GEORGE FRITZ, with Bayley, Wood, Cave & Co., 2, Booth Street, Manchester, 2.
 CORSCADDEN, ERNEST (Henry Sykes, Haworth & Co.), 36, North Parade, Bradford, Practising Accountant.
 CRAIGEN, JOHN FRASER, Comptroller's Department, London County Council, The County Hall, Westminster Bridge, London, S.E.1.
 CROW, JOHN SLACK, with Walter Baker & Co., 1, Silver Street, Berwick-on-Tweed.
 DAWES, HAROLD JOHN COOPER, with Harry Day & Co., 51, Foregate Street, Worcester.
 DUCKELS, NORMAN, with G. W. Townend & Co., Carlisle Chambers, Goole.
 GHOSH, PRADYOTE NARAYAN, M.A., formerly with Pix & Barnes, 24, Coleman Street, London, E.C.2.
 GIBSON, JOHN WATSON, Audit Office, Co-operative Wholesale Society, Co-operative Chambers, Prince Street, Bristol.
 GREEN, EDMUND GEORGE, with Harold W. Locking & Co., Corporation Chambers, Trinity House Lane, Hull.
 HICKS, WALTER, Deputy Borough Treasurer, Ilkeston, Derbyshire.
- JACKSON, JOHN STANLEY, with Boyce, Welch & Co., 3, Piccadilly, Bradford.
 LANE, WILFRID ERNEST, Assistant Accountant, Adwick-le-Street Urban District Council, Council Offices, Adwick-le-Street, Doncaster.
 LAWRIE, ANGUS ALEXANDER, P.O. Kampi ya Moto, Kenya Colony, Practising Accountant.
 McDONALD, ANGUS CHARLES (C. McDonald & Co.), Victoria Chambers, 56, Victoria Road, Surbiton, MATTHEWS, RAYMOND WALTER, with Hodgson, Harris & Co., 135, Fenchurch Street, London, E.C.3.
 Practising Accountant.
 MILBURN, THOMAS STANLEY, with T. B. Read, 71, Howard Street, North Shields.
 MORTIMER, FREDERICK WILLIAM HUNTER, Borough Treasurer's Department, Council House, Nuneaton.
 MORTON, JOHN SAMUEL, with Martin Shaw, Leslie & Shaw, 2, Wellington Place, Belfast.
 MYERS, ELLIS ROBERTSHAW, with Wm. Robertshaw & Myers, Barclays Bank Chambers, North Street, Keighley.
 NARASIMHA RAO, DESIRAZU VENKATA LAKSHMI, B.A., formerly with Sastri & Shah, Oriental Assurance Buildings, Armenian Street, Madras.
 NAYLOR, WALTER STUART, with Glass & Mitchell, Martins Bank Chambers, Bradford.
 PHILLIPS, ARTHUR WATKIN, with J. Wallace Williams & Co., 5, St. Andrew's Crescent, Cardiff.
 PIKE, HAROLD EDMUND BARON, with Paramount Film Service, Ltd., 166, Wardour Street, London, W.1 (formerly Articled Clerk).
 PRITCHARD, HAROLD DAVID, with Jones, Robathan, Thompson & Co., 34, Blue Street, Carmarthen.
 RIST, ROBERT WARD, with Brannan, White & Charlton, Blossoms Inn, 23, Lawrence Lane, Cheapside, London, E.C.2.
 SEAMAN, LEONARD EDWARD, with James Meston & Co., 1, Leadenhall Street, London, E.C.3.
 SHEARD, ERNEST (Fred Sheard & Sons), 5-6, Kirkgate Buildings, Huddersfield, Practising Accountant.
 SILLEY, CECIL BARTER (Ollett, Janes & Silley), 44, Victoria Street, Paignton, Practising Accountant.
 SPARKS, THOMAS, with B. Nagley & Co., 40, Imperial Chambers, 62, Dale Street, Liverpool, 2.
 SPEIRS, HAROLD THOMAS, B.Sc., Exchequer and Audit Department, Audit House, Victoria Embankment, London, E.C.4.
 TAYLOR, ALFRED HUGH, Deputy Borough Accountant, Municipal Buildings, Boston, Lincoln.
 VINCENT, ALBERT VINCENT, City Treasurer and Controller's Department, City Hall, Cardiff.
 WALKER, WALTER ERIC, with William A. Judge, High Street, Skipton.
 WARD, LESLIE ALBERT, with Haynes & Co., 108A, Cannon Street, London, E.C.4.
 WATKINS, GEORGE ROBERT LEONARD, with G. Leonard Foulds, Federation Chambers, Wheeler Gate, Nottingham.
 WEBSTER, WILLIAM LESLIE, with Kidger, Greenland & Co., Priory Buildings, Union Street, Oldham.
 WHITEN, THOMAS HUBERT, with W. Ronald Coope, Albion Chambers, King Street, Nottingham.
 WHITFIELD, HUBERT RAWNSLEY, with Rhodes, Stringer & Co., 31, Manor Row, Bradford.
 WILLIAMS, ALBERT VICTOR, with Alfred G. Deacon & Co., National Chambers, 4, Horsefair Street, Leicester.
 WILSON, CHRISTOPHER PURVES, with Deloitte, Plender, Griffiths & Co., 5, London Wall Buildings, Finsbury Circus, London, E.C.2.
 WOOD, HERMAN WILLIAM, formerly with Gill & Thurlow, Martins Bank Chambers, Tyrrel Street, Bradford.
 ZOLONDZ, EMANUEL ISAAC, with Goodchild & Harrison, 19, London Wall, London, E.C.2.

The directors of Midland Bank, Limited, have declared an interim dividend for the half-year ended June 30th last at the rate of 16 per cent. per annum, being the same rate as the previous year.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS.

ANNUAL MEETING AND CONFERENCE.

The fiftieth annual general meeting and conference of the above Institute was held at the Pavilion, Margate, on Wednesday, Thursday and Friday, June 19th, 20th and 21st, under the Presidency of Mr. Alfred E. Dean, M.B.E., Borough Treasurer, Swindon.

The Mayor of Margate (Alderman F. L. Petteyman, J.P.), the Deputy Mayor (Councillor W. R. Noble), Alderman G. P. Hoare (Chairman of the Finance Committee of the Town Council), and Mr. F. R. C. Kendrick, F.S.A.A., Borough Treasurer, Margate, attended in their official capacities to welcome the delegates at the opening of the Conference.

The delegates and their ladies were received by the President and Mrs. Dean and the Council of the Institute on the Tuesday evening at the Queen's Highcliff Hotel. The annual dinner was held at the same hotel on the Wednesday evening, and the Mayor and Mayoress accorded a civic reception at the Pavilion on the Thursday evening.

CIVIC WELCOME.

Speaking at the civic welcome, the Mayor expressed the hope that the stay of the delegates would be enjoyable, and added that Margate had no industry but catering for visitors, and it was hoped to make those attending the conference as happy and contented as those people who came to Margate for health and holidays. He was proud of the growth of Margate, and the foundation of its success was in treating visitors so well that they came a second time. The President thanked the Mayor for the welcome, and pointed out that Alderman Petteyman had made a hobby of public service as a County Councillor and a Justice of the Peace, and was held in high affection by the ratepayers. They were passing through difficult times, and at no time in history had the country stood in greater need of the services of men such as the Mayor of Margate. He had obviously found that the purpose of life was to serve, and in fulfilling that purpose had discovered the law of compensation decreeing that he who gave most should get most. He further went on to say : "We have come to Margate to discuss many problems in connection with municipal finance—problems with which everyone of our members and the representatives of local authorities will be deeply concerned in the coming year."

ANNUAL REPORT.

In the opening session which followed the prizes awarded at the examinations held in January, 1935, were presented, after which the annual report of the Council for the year 1934-35 was submitted and considered. The report made reference to the death of Mr. William Bateson, and paid a tribute to his memory. He had been a member of the Institute for 44 years and a member of the Council for over 30 years. He had also held the office of President of the Institute. Incorporated Accountants will remember that for several years he was a valued member of the Council of the Society and relinquished office upon his retirement as Borough Treasurer of Blackpool. The passing of another well-known municipal financial officer was referred to, namely, Mr. William Gunner, formerly Borough Treasurer of Croydon, a member of the first Executive Committee of the Institute, and a past President, and a highly respected Incorporated Accountant,

The annual report disclosed a satisfactory increase in the membership of the Institute, the comparative numbers for 1934 and 1935 being as under :—

| | | 1935. | 1934. |
|------------------|----|-------|-------|
| Honorary members | .. | 331 | 321 |
| Fellows | .. | 294 | 289 |
| Associates | .. | 588 | 536 |
| Students | .. | 854 | 785 |
| | | 2,067 | 1,931 |

There are six branches of the Institute, membership of which is open to Fellows or Associates, and a feature of these branches is the Associates' sections, of which there are five. The work of the Institute's Students' Societies is also regarded as being of the highest value, and the annual report evidenced the continued growth of the several societies and branches.

The report also referred to a number of matters of importance to municipal financial officers, having reference, in particular, to Borrowings from the Public Works Loan Commissioners ; Costing ; Housing Finance ; Electricity Finance ; Income Tax ; Rating ; Recent Legislation ; and Research.

THE INSTITUTE'S JUBILEE.

The Institute was established at a meeting held in Manchester on December 8th, 1885, and the Council have decided to mark the fiftieth anniversary by a special jubilee banquet in London, the Lord Mayor and Corporation of London having kindly granted the use of the Guildhall for the purpose. The Council were able to announce that H.R.H. the Duke of Kent had promised to be present at the banquet, and that the Right Hon. the Lord Mayor of London and the Sheriffs and other distinguished guests would attend the celebrations.

PRESIDENT'S ADDRESS.

The President, Mr. A. E. Dean, in his address, after reviewing the development of the Institute, dealt at considerable length with certain aspects of the grant formula under the Local Government Act, 1929, and urged that, as it at present exists, it is over-weighted in the case of counties which are mainly residential and under-weighted in the case of urban and especially rural counties ; that the "unemployment" and "sparsity" factors, as applying to counties, require revision. He was of the opinion that the present method of distributing grants to district councils operates unfairly and should be replaced by a scheme which will take into account the amount of the de-rating losses of these authorities and the extent of the existing burden. He urged that immediate steps should be taken to secure a revision of the whole system of Government grants on the lines indicated by the Royal Commission on Local Taxation and the Kempe Committee. Such revision, he considered, should provide for an adjustment of the burden of highway expenditure in view of the unfair incidence of that service, and that compensation should be given to county councils in respect of the losses falling on them by reason of the operation of the Agricultural Rates Act, 1896.

OFFICERS AND COUNCIL.

The following were appointed officers and Council of the Institute for 1935-36 :—President, Mr. Frank W. Rattenbury, F.S.A.A., County Accountant, Middlesex C.C. ; Vice-President, Mr. Sydney Larkin, F.S.A.A., City Treasurer, Coventry ; ex-President, Mr. A. E. Dean, M.B.E., Borough Treasurer, Swindon ; Honorary Treasurer, Mr. William Allison Davies, C.B.E., F.S.A.A., Borough Treasurer, Preston. Council : Mr. John E. Bray, City Treasurer, Manchester ; Mr. A. B. Griffiths, F.S.A.A., City Treasurer, Sheffield ; Mr. J. D. Imrie, F.S.A.A., City Chamberlain, Edinburgh ; Mr. J. R. Johnson, F.S.A.A., City Treasurer, Birmingham ; Mr. R. D. Lambert, O.B.E., F.S.A.A., Borough Treasurer,

West Hartlepool ; Mr. Samuel Lord, F.S.A.A., Borough Treasurer, Acton ; Mr. Edmund Lund, M.B.E., F.S.A.A., City Treasurer, Carlisle ; Mr. G. E. Martin, F.S.A.A., Borough Treasurer, Poplar ; Mr. James Scougal, F.S.A.A., Treasurer, Beckenham U.D.C. ; Mr. Frederick Steadman, Chief Financial Officer, Surrey C.C. ; Mr. R. A. Wetherall, F.S.A.A., Borough Treasurer, Swansea.

PAPERS READ AT THE CONFERENCE.

On Thursday morning the Conference considered three comprehensive papers on the subject of Housing, namely : "The Housing (Financial Provisions) Act, 1933," by Mr. Sydney Larkin, F.S.A.A., City Treasurer, Coventry ; "The Housing Bill, 1935," by Mr. G. E. Martin, F.S.A.A., Borough Treasurer, Poplar ; and "The Consolidation of Housing Accounts," by Mr. Edmund Lund, M.B.E., F.S.A.A., City Treasurer, Carlisle. All three papers evoked an interesting and lively discussion. In the afternoon a very able paper was submitted by Sir Leonard J. Coates, F.C.A., on the subject of Municipal Costing. He emphasised the importance of costing from the national standpoint, and pointed out that in at least two departments of national activity, namely, housing and distribution of electricity, the municipalities appeared to be destined to play a crucial part and in some degree to serve as a yardstick by which other forms of enterprise may be measured. Concerning the administrative aspect of costing, he said that in certain directions—notably in the case of trading undertakings—the administrative use of costing by municipalities was well developed on lines parallel with those of privately-owned undertakings. He stated that he was in agreement with the view that the Finance Committee of a local authority should stand in a position analogous to that of the Treasury in relation to other Government Departments. Regarding the sphere of the Treasurer of a local authority in relation to costing, it was his view that he must be taken fully into the confidence of each Department as to its method of carrying out the objects for which expenditure had been authorised by the Council and as to the costs.

The final paper of the Conference was that submitted by Mr. Alderman J. Chuter Ede, D.L., J.P., Chairman of the Surrey Council, entitled "Co-operation between County Councils and County District Councils, with special reference to the Financial Aspect." The introduction to the paper, and the paper itself, were a masterly review of the subject, and gave rise to a discussion which in its way was of great practical value.

ANNUAL DINNER.

The annual dinner held at the Queen's Highcliffe Hotel was a great success, being attended by a number of distinguished guests. The Government was represented by Mr. Geoffrey Shakespeare, Parliamentary Secretary to the Ministry of Health. The Society of Incorporated Accountants was represented by the President (Mr. R. Wilson Bartlett, J.P.), and the Secretary (Mr. A. A. Garrett, M.B.E.), and the Institute of Chartered Accountants by its Secretary, the Hon. George Colville, M.B.E.

Proposing the toast of "His Majesty's Ministers," Mr. Samuel Lord, F.S.A.A. (Borough Treasurer, Acton), said that the Government had been faced with enormous responsibilities, and so far had steered the ship of State through the shoals of international greed and jealousy with outstanding success.

Mr. Geoffrey Shakespeare, M.P., in his reply, stated that, as a member of a National Government, he looked forward to another period of tranquillity such as financial and trading interests demanded, broken only by a short General Election. He took pride in thinking that, while other countries were faced with adverse financial positions,

his Department was engaged on the greatest task of social reconstruction upon which any Government had ever embarked. With the help of local authorities, the great task of slum clearance, involving the re-housing of 1,300,000 people in five years, would be completed.

Mr. Shakespeare submitted the toast of the "Institute of Municipal Treasurers and Accountants," and referred in appreciative terms to the work they were doing. To this the President suitably responded.

The President-Elect (Mr. F. W. Rattenbury, F.S.A.A.) proposed the toast of "The Guests," which was responded to by the Mayor of Margate and the Hon. George Colville.

Professional Appointments.

Mr. William Hayhurst, A.S.A.A., Deputy Borough Treasurer of Smethwick, has obtained the appointment of Borough Treasurer of St. Helens.

Mr. J. M. Drummond, of the Borough Accountant's Department, Reading, has been appointed to the position of Deputy Borough Treasurer, Smethwick, and will take up his new duties on September 2nd. He became an Associate of the Institute of Municipal Treasurers in 1931, and was an Honoursman at the Final examination of the Society of Incorporated Accountants and Auditors in 1932.

Mr. William Forsyth, Borough Treasurer, Conway, has been appointed Borough Treasurer of Widnes as from the 1st of this month. He became an Associate of the Institute of Municipal Treasurers in 1926, and is also an Associate of the Society of Incorporated Accountants and Auditors.

Mr. E. J. D. Lloyd, the Borough Treasurer of Wednesbury, was appointed on July 16th to the position of Assistant Comptroller of the London County Council, and will take up his duties on September 23rd. He is an Honoursman and Associate of the Society of Incorporated Accountants and Auditors, and for the past two years has been an Examiner to the Institute of Municipal Treasurers.

Mr. J. H. McCall, F.S.A.A., Borough Accountant of Croydon, has been appointed to the statutory office of Treasurer, following the death of Mr. William Gunner, F.S.A.A., who had previously held this office.

Mr. J. C. Styles, Deputy Borough Treasurer of Barrow-in-Furness, has been appointed to the position of Borough Treasurer on the retirement of Mr. W. W. Waite on September 30th next. He has been an Associate of the Institute of Municipal Treasurers since 1905, and is also an Associate of the Society of Incorporated Accountants and Auditors.

Mr. G. Dobson Wright, A.S.A.A., who has been Borough Accountant of Darlington for many years, has recently been appointed to the statutory office of Treasurer.

Mr. C. W. Jermy has been appointed to the position of Sectional Chief Clerk in the County Accountant's Department, Derbyshire County Council. He became an Associate of the Institute of Municipal Treasurers this year on passing the Final examination, and is also an Associate of the Society of Incorporated Accountants and Auditors.

FINANCE ACT.

The following are the provisions of the Finance Act, 1935, relating to Income Tax and certain other financial matters :—

PART I.

CUSTOMS AND EXCISE.

AMENDMENTS AS TO ENTERTAINMENTS DUTY.

1.—(1) As respects payments for admission to entertainments held on or after the first day of July, nineteen hundred and thirty-five, entertainments duty within the meaning of the Finance (New Duties) Act, 1916, shall be chargeable subject to the amendments hereafter specified in this section.

(2) The said duty shall cease to be charged on payments not exceeding sixpence.

(3) The said duty shall be charged at the reduced rates set out in the First Schedule to this Act in a case where all the performers whose words or action constitute the entertainment are actually present and performing, and the entertainment consists solely of one or more of the following items, namely, a stage play, a ballet (whether a stage play or not), a performance of music (whether vocal or instrumental), a lecture, a recitation, a music hall or other variety entertainment, a circus or a travelling show.

(4) In this section the expression "stage play" has the meaning assigned to it by sect. 23 of the Theatres Act, 1843, except that it includes theatrical representations in booths and shows to which that Act does not apply by virtue of the proviso to that section.

(5) Where duty has been charged on any payment for admission to an entertainment held on or after the said first day of July at the rate applicable to payments for admission to entertainments held before the said date, the person by whom the duty was paid shall be entitled to repayment of the difference between the amount of duty actually paid and the amount of duty, if any, chargeable on the payment by virtue of the provisions of this section.

VALUATION OF GOODS FOR PURPOSE OF AD VALOREM DUTIES.

10.—(1) For the purposes of any enactment for the time being in force whereunder a duty of customs is chargeable on goods by reference to their value, the value of any imported goods shall be taken to be the price which they would fetch on a sale in the open market at the time of importation, and duty shall be paid on that value as fixed by the Commissioners.

(2) For the purposes of computing the price aforesaid it shall be assumed—

- (a) that the goods to be valued are to be delivered to the buyer at the port or place of importation, freight, insurance, commission and all other costs, charges and expenses incidental to the making of the contract of sale and the delivery of the goods at that port or place (except any duties of customs) having been paid by the seller; and
- (b) that the price is the sole consideration for the sale of the said goods; and
- (c) that neither the seller nor any person associated in business with him has any interest, direct or indirect, in the subsequent re-sale or disposal of the said goods; and
- (d) that there has not been and will not be any commercial relationship between the seller and

the buyer, whether created by contract or otherwise, other than that created by the sale of the said goods.

(3) Where the goods to be valued are manufactured in accordance with a patented invention or are goods to which a registered design has been applied, it shall also be assumed for the purpose of computing the price aforesaid that the buyer is not the patentee or the proprietor of the design and has not paid any sum or given any consideration by way of royalty or otherwise in respect of the patent or design and, on payment of the price, will be entitled to deal with the goods free from any restriction as regards the patent or design.

(4) Where a trade mark is used in the United Kingdom in relation to goods of the class or description to which the goods to be valued belong for the purpose of indicating that goods in relation to which it is used are goods of a foreign supplier of the goods to be valued or of a person to whom he has assigned the goodwill of the business in connection with which the trade mark is so used, it shall also be assumed for the purpose of computing the price aforesaid that the goods to be valued are sold under that trade mark, unless it is shown to the satisfaction of the Commissioners that the goods to be valued have not at any time been, and security is given to the satisfaction of the Commissioners that they will not be, so sold by or on behalf of the foreign supplier or any such person as aforesaid.

(5) For the purposes of this section—

- (a) two persons shall be deemed to be associated in business with one another if, whether directly or indirectly, either of them has any interest in the business or property of the other or both have a common interest in any business or property or some third person has an interest in the business or property of both of them;
- (b) the expression "foreign supplier," in relation to any goods to be valued, means any person by whom those goods have been grown, produced, manufactured, selected, dealt with or offered for sale outside the United Kingdom, and includes any other person associated in business with such a person as aforesaid;
- (c) the expression "trade mark" includes a trade name and a get-up.

(6) Sub-sects. (1) and (2) of sect. 15 of the Import Duties Act, 1932, shall cease to have effect, and sub-sects. (3) and (4) of that section (which relate to regulations) and section sixteen of that Act (which relates to the determination of disputes as to value) shall have effect for the purpose of this section as they had effect for the purpose of the said section 15.

POWER TO CHARGE REDUCED DUTY IN LIEU OF GENERAL AD VALOREM DUTY IN EXCEPTIONAL CASES.

11.—(1) If, as respects goods of any class or description which are chargeable or which it is apprehended will shortly become chargeable with the general *ad valorem* duty, it appears to the Import Duties Advisory Committee that, having regard to any exceptional circumstances, the said duty ought to be reduced, the Committee may recommend to the Treasury that, in lieu of being charged with the said duty, the said goods ought to be charged—

- (a) with a duty equal to such percentage less than ten per cent. of the value of the goods as may be specified in the recommendation; or
- (b) with whichever is the lower of the following two duties, namely—

- (i) a duty chargeable by reference to weight or other measure of quantity at such rate as may be specified in the recommendation ; or
- (ii) a duty equal to such percentage not exceeding ten per cent. of the value of the goods as may be so specified.

(2) The Treasury, after receiving a recommendation under the last foregoing sub-section, may, after consultation with the appropriate Department, by order direct that such duty of customs as is specified in the recommendation shall be charged under this section in lieu of the general *ad valorem* duty, on the importation into the United Kingdom of goods of the class or description so specified, and references in any enactment to the general *ad valorem* duty or to duty chargeable under the Import Duties Act, 1932, or under Part I thereof shall, unless the context otherwise requires, be deemed to include, in relation to such goods, a reference to the duty chargeable under this section :

Provided that no order made under this section as respects goods which are not chargeable with the general *ad valorem* duty at the date when the order is made shall have effect until the date on which that duty would otherwise have become chargeable thereon.

(3) Sub-sects. (1), (3), (4), and (5) of sect. 19 of the Import Duties Act, 1932, shall apply to any order made under this section as if it were an order made by the Treasury under the said Act other than an order imposing a duty of customs, and in this section the expression "appropriate Department" has the same meaning as in that Act.

POWER TO REQUIRE PRODUCTION OF DOCUMENTS RELATING TO IMPORTED GOODS.

16.—(1) Where an entry of goods has been delivered for the purposes of any Act relating to the customs, an officer of customs and excise may, at any time within three years after the delivery, require any person concerned with the importation of the goods to furnish, in such form as the officer may require, any information relating to the goods, and to produce any books or documents of whatever nature relating to the goods.

(2) If such a person fails to comply with any such requirement, he shall, for each offence, be liable to a customs penalty of fifty pounds.

(3) Sect. 1 of the Revenue Act, 1909, shall cease to have effect in so far as it relates to importers of goods and their agents, but save as aforesaid the powers conferred by this section shall be in addition to and not in derogation of any powers under any other Act relating to the customs to require information or the production of books or documents relating to imported goods.

PART II.

Income Tax.

INCOME TAX FOR 1935-36.

17.—(1) Income tax for the year 1935-36 shall be charged at the standard rate of 4s. 6d. in the pound, and, in the case of an individual whose total income exceeds £2,000, at such higher rates in respect of the excess over £2,000 as Parliament may hereafter determine.

(2) All such enactments as had effect with respect to the income tax charged for the year 1934-35 shall have effect with respect to the income tax charged for the year 1935-36.

HIGHER RATES OF INCOME TAX FOR 1934-35.

18.—Income tax for the year 1934-35 in respect of the excess of the total income of an individual over £2,000 shall be charged at rates in the pound which respectively exceed the standard rate by amounts equal to the amounts by which the rates at which income tax was charged in respect of the said excess for the year 1933-34 respectively exceeded the standard rate for that year.

EXEMPTION FROM, AND REDUCTION OF, TAX IN CERTAIN CASES.

19.—(1) An individual who proves that his total income does not exceed £125 shall be entitled to exemption from income tax.

(2) An individual who, not being exempt as aforesaid, proves that his total income is less than £140 shall be entitled to have the amount of income tax payable in respect of his total income, if it would but for the provisions of this sub-section exceed a sum equal to one-fifth of the amount by which his total income exceeds £125, reduced to that sum.

(3) All such provisions of the Income Tax Acts as apply in relation to deductions of tax under sect. 40 of the Finance Act, 1927, shall, with any necessary modifications, apply in relation to exemptions from or reductions of tax under this section.

PERSONAL ALLOWANCE OF MARRIED PERSONS.

20.—Sub-sect. (1) of sect. 18 of the Finance Act, 1920 (which, as amended by sect. 40 of the Finance Act, 1927, and sect. 8 of the Finance (No. 2) Act, 1931, provides for a deduction of tax on £150 in the case of married persons) shall have effect as if the words "one hundred and seventy pounds" were substituted for the words "one hundred and fifty pounds."

DEDUCTION IN RESPECT OF CHILDREN.

21.—Sub-sect. (1) of sect. 21 of the Finance Act, 1920 (which, as amended by sect. 40 of the Finance Act, 1927, and sect. 8 of the Finance (No. 2) Act, 1931, provides for a deduction of tax on £50 in respect of one child and on £40 in respect of each subsequent child) shall have effect as if the words "each such child" were substituted for the words "one child," and as if the words "and in respect of each subsequent child to a deduction of forty pounds" were omitted.

RELIEF FROM BALANCE OF TAX CHARGEABLE AFTER ALLOWANCE OF OTHER RELIEFS.

22.—Sub-sect. (2) of sect. 40 of the Finance Act, 1927 (which, as amended by sect. 8 of the Finance (No. 2) Act, 1931, provides for the reduction of the tax remaining chargeable after the allowance of other reliefs by a sum equal to half the amount so remaining chargeable or half the tax on £175, whichever is the less) shall have effect as if the words "two-thirds" were substituted for the words "one-half" in both places where they occur, and as if the words "one hundred and thirty-five pounds" were substituted for the words "one hundred and seventy-five pounds."

AMENDMENT AS TO RELIEF IN RESPECT OF LIFE INSURANCE PREMIUMS.

23.—Sub-sect. (3) of sect. 32 of the Income Tax Act, 1918 (which restricts the allowance of tax to be made under that section in respect of life insurance premiums and other payments) shall have effect as if at the end thereof there were inserted the following new paragraph :—

"(f) shall be given at a rate of tax greater than one-third of the standard rate—

- (i) where the taxable income of the claimant does not exceed £135, in respect of any premiums or payments to which his claim relates ; or
- (ii) where the taxable income of the claimant exceeds £135, in respect of the amount, if any, by which such premiums or payments exceed the amount by which his taxable income exceeds £135.

In this paragraph the expression "taxable income" in relation to a claimant means his total income less any amount on which he is, by virtue of sub-sect. (1) of sect. 40 of the Finance Act, 1927, entitled to relief by way of a deduction of tax."

CONTINUANCE OF ALLOWANCE FOR REPAIRS.

24.—Sect. 28 of the Finance Act, 1923 (which relates to the allowance for repairs and which was continued in force by sect. 30 of the Finance Act, 1933, until April 5th, 1936) shall continue in force until April 5th, 1937.

DEDUCTION FROM PROFITS OF CONTRIBUTIONS PAID TO RATIONALISE INDUSTRY.

25.—(1) Notwithstanding anything contained in Rule 3 of the Rules applicable to Cases I and II of Schedule D, where a person pays, wholly and exclusively for the purposes of a trade in respect of which he is chargeable under Case I of Schedule D, a contribution in furtherance of a scheme which is for the time being certified by the Board of Trade under this section, the contribution shall, in so far as it is paid in furtherance of the primary object of the scheme, be allowed to be deducted as an expense in computing the profits or gains of the said trade.

(2) The Board of Trade shall certify a scheme under this section if they are satisfied—

- (a) that the primary object of the scheme is the elimination of redundant works or machinery or plant from use in an industry in the United Kingdom ; and
- (b) that the scheme is in the national interest and in the interest of the said industry as a whole ; and
- (c) that such number of persons engaged in the said industry as are substantially representative of the industry are liable to pay contributions in furtherance of the primary object of the scheme by agreement between them and the body of persons carrying out the scheme.

References in this sub-section to an industry in the United Kingdom shall include references to the business carried on by owners of ships or of a particular class of ships, wherever the business is carried on, and in relation to that business references in this sub-section to works or machinery or plant shall include references to ships.

(3) The Board of Trade shall cancel any certificate granted under this section if they cease to be satisfied as to any of the matters referred to in the last foregoing sub-section.

(4) In the event of the repayment, whether directly or by way of distribution of assets on a winding-up or

otherwise, of a contribution or any part thereof which has been allowed to be deducted under this section, the deduction of the contribution, or of so much thereof as has been repaid, shall be deemed to be an unauthorised deduction in respect of which an additional assessment shall be made under sub-sect. (1) of sect. 125 of the Income Tax Act, 1918, and notwithstanding anything contained in the Income Tax Acts the time within which such an additional assessment and any consequential assessment to surtax may be made shall not expire before the end of the third year following the year of assessment in which the repayment was made.

(5) For the purpose of this section a sum received by any person by way of repayment of contributions shall be deemed to be by way of repayment of the last contribution paid by him, and, if the sum exceeds the amount of that contribution, by way of repayment of the penultimate contribution so paid, and so on.

(6) In computing for the purposes of sect. 33 of the Finance Act, 1926 (which relates to relief in respect of certain losses), whether and to what extent a loss has been sustained by any person in the year 1934-35, or in the period which under sect. 34 of that Act would be taken to be the year preceding the year 1935-36, this section shall be deemed to have come into operation at the commencement of the year 1934-35, or of that period, as the case may be.

(7) The Board of Trade may at any time require the body of persons carrying out a scheme certified under this section to produce any books or documents of whatever nature relating to the scheme, and, if the requirement is not complied with, the Board may cancel the certificate.

(8) Anything required or authorised to be done under this section by the Board of Trade may be done by the President, a Secretary, Under-Secretary, or Assistant Secretary of the Board or any person authorised in that behalf by the President of the Board.

(9) In this section, the expression "contribution," in relation to a scheme, does not include a sum paid by a person by way of loan or subscription of share capital, or in consideration of the transfer of assets to him, or by way of a penalty for contravening or failing to comply with the scheme.

AMENDMENT AS TO ASSESSMENT ON CHANGE OF OFFICE.

26.—(1) Where a person, on entering upon any office (in this section referred to as a "new office"), ceases to hold any other office (in this section referred to as an "old office") and—

(a) but for the provisions of this section the tax payable by him on the emoluments of the said offices would have been computed by reference to the provisions of sub-sects. (4) and (5) of sect. 45 of the Finance Act, 1927 ; and

(b) his average monthly net emoluments arising from the new office for the first twelve months of his tenure thereof, or for such shorter period as his tenure thereof endures, do not exceed by more than twenty per cent. his average monthly net emoluments arising from the old office for the last twelve months of his tenure thereof, or for such shorter period as his tenure thereof endures ; and

(c) the nature of the duties of the old and the new offices respectively was and is such as to require the holder thereof to devote substantially the

whole of his time to the performance of those duties;

that person shall, on giving notice as hereinafter provided, be entitled to require that all his emoluments arising from the new office as well as from the old office shall be assessed as if they had arisen from one and the same office, and thereupon any assessment already made shall be adjusted accordingly and any tax overpaid shall be repaid.

(2) A person giving notice under this section shall give it in writing to the Surveyor not later than the expiration of the eighteen months next after the end of the year of assessment within which he entered upon the new office.

(3) In this section—

- (a) the expression "emoluments" has the same meaning as in sect. 45 of the Finance Act, 1927;
- (b) the expression "net emoluments" in relation to an office for any period means the emoluments of the office for that period after the deduction of any amount paid or borne for that period by the holder of the office which would be allowable under the provisions of the Income Tax Acts for the purpose of computing an assessment to income tax under Schedule E;
- (c) the expression "office" means an office or an employment the emoluments of which are chargeable wholly under Schedule E.

(4) This section shall apply to any person who entered upon a new office in the year 1933-34 or the year 1934-35 as it applies to persons entering upon a new office in any subsequent year:

Provided that no assessment for any year before the year 1934-35 shall be adjusted under this section.

PART III. Local Loans.

POWER TO ISSUE NEW SECURITIES IN LIEU OF LOCAL LOANS STOCK.

28. The Treasury may from time to time, in lieu of creating Local Loans stock under sect. 8 of the National Debt and Local Loans Act, 1887, create and issue, for the purposes for which Local Loans stock may be created, such securities bearing such rate of interest and subject to such conditions as to redemption, repayment or otherwise as they think fit.

PROVISION FOR REDEMPTION AND CONVERSION OF LOCAL LOANS STOCK AND NEW SECURITIES.

29.—(1) The Treasury may also from time to time create and issue such securities bearing such rate of interest and subject to such conditions as aforesaid for any of the following purposes—

- (a) for raising money for the redemption of any Local Loans stock or any securities created under this or the last foregoing section (hereafter referred to as "new Local Loans securities");
 - (b) for the purpose of exchange, as hereafter provided, with any such stock or securities, and for raising such money (if any) as may be required as further consideration for any such exchange;
 - (c) for raising money for the repayment to the Exchequer of sums issued out of the Consolidated Fund as provided in the next following section.
- (2) The notice of redemption of Local Loans stock referred to in sub-sect. (3) of sect. 8 of the National Debt and Local Loans Act, 1887, shall, instead of being a

resolution of the House of Commons as provided in sub-sect. (4) of that section, be a notice given by the Treasury and published in the *London Gazette*, and the mode of redemption shall be such as may be determined by the notice, but save as aforesaid nothing in this Act shall affect the provisions of the said sub-sects. (3) and (4).

(3) Where it is proposed to redeem any Local Loans stock or any new Local Loans securities, the Treasury may arrange for giving an option, subject to such conditions and on such terms as the Treasury may determine and with or without payment of any further consideration, to any holders of the stock or securities to be redeemed to take in exchange securities created under this section.

(4) All stock or securities redeemed or surrendered for the purpose of an exchange under this section shall be cancelled forthwith.

(5) The Treasury may make rules with respect to the exchange of stock or securities as aforesaid, and may by those rules provide, with the necessary modifications, for any of the matters for which provision could be made under sect. 29 of the National Debt (Conversion) Act, 1888, and may also by those rules apply, with the necessary modifications, any of the provisions of Part IV of that Act (whether repealed or not) which they think it expedient to apply.

PART IV.

Miscellaneous and General.

FURTHER RELIEF OF SMALL ANNUITIES FROM ESTATE DUTY.

33.—(1) Sub-sect. (1) of sect. 15 of the Finance Act, 1894 (which exempts from estate duty certain annuities not exceeding £25) shall have effect, in the case of an annuity purchased or provided by a person dying after the passing of this Act, as if the words "fifty-two pounds" were substituted for the words "twenty-five pounds."

(2) An annuity of less than £104 which would, but for the fact that it exceeds £52 pounds, be exempted from estate duty under the provisions of the said sub-section as amended by this section, shall be chargeable with estate duty as if it were an annuity of twice the amount by which it exceeds £52 and as if the said provisions were not in force.

SHORT TITLE, CONSTRUCTION, EXTENT AND REPEALS.

35.—(1) This Act may be cited as the Finance Act, 1935.

(2) Part I of this Act, so far as it relates to duties of customs, shall be construed as one with the Customs Consolidation Act, 1876, and so far as it relates to duties of excise shall be construed as one with the Acts which relate to the duties of excise and to the management of those duties, and the expression "the Commissioners" in the said Part I means the Commissioners of Customs and Excise.

(3) Part II of this Act shall be construed as one with the Income Tax Acts.

(4) Any reference in this Act to any other enactment shall be construed as a reference to that enactment as amended by any subsequent enactment, including (unless the context otherwise requires) this Act.

(5) In this Act the expression "the United Kingdom" does not include the Isle of Man.

(6) Such of the provisions of this Act as relate to matters with respect to which the Parliament of Northern

Ireland has power to make laws shall not extend to Northern Ireland.

(7) The enactments set out in Part II of the Second Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule.

FIRST SCHEDULE.

Section 1.

REDUCED RATES OF ENTERTAINMENTS DUTY IN CASE OF CERTAIN ENTERTAINMENTS.

| <i>Amount of Payment.</i> | <i>Duty.</i> |
|--|---|
| Where the amount of the payment, excluding the amount of duty— | |
| Exceeds 6d. and does not exceed 8½d. | One half-penny. |
| Exceeds 8½d. and does not exceed 11d. | One penny. |
| Exceeds 11d. and does not exceed 1s. 1½d. | Three half-pence. |
| Exceeds 1s. 1½d. and does not exceed 1s. 4d. | Two pence. |
| Exceeds 1s. 4d. and does not exceed 1s. 6½d. | Two pence half-penny. |
| Exceeds 1s. 6½d. and does not exceed 1s. 9d. | Three pence. |
| Exceeds 1s. 9d. | Three pence for the first 1s. 9d. and one penny for every 5d. or part of 5d. over 1s. 9d. |

SECOND SCHEDULE.

Sects. 34 and 35.

Enactments Repealed.

PART I.

ENACTMENTS RELATING TO REVENUE PROCEEDINGS BEFORE COURTS OF SUMMARY JURISDICTION IN NORTHERN IRELAND.

PART II. MISCELLANEOUS ENACTMENTS.

| Session and Chapter. | Title or Short Title. | Extent of Repeal. |
|-------------------------------|----------------------------------|--|
| 9 Edw. 7 c. 48. | The Revenue Act, 1909. | In sub-sect. (1) of sect. 1, the words "the importer of the goods or his agent, or" and the words "as the case may be," and in sub-sect. (2) of that section the words "the importer or his agent, or." |
| 10 Edw. 7 and 1 Geo. 5. c. 8. | The Finance (1909-10) Act, 1910. | As from October 1st, 1935, in the first column of scale 3 in the First Schedule the words and figures from "and less" to "100,000" where it secondly occurs, in the second column of that scale the figures from "15 0" to "35 0," and in the third column the figures from "10 0" to "23 10." |
| 10 & 11 Geo. 5. c. 18. | The Finance Act, 1920. | In sub-sect. (1) of sect. 21, the words "and in respect of each subsequent child to a deduction of forty pounds." |
| 21 & 22 Geo. 5. c. 49. | The Finance (No. 2) Act, 1931. | In the Second Schedule the words from "Exceeds 2d." to "One penny" where it first occurs. |
| 22 & 23 Geo. 5. c. 8. | The Import Duties Act, 1932. | Sub-sects. (1) and (2) of sect. 15; and as from August 1st, 1935, in the First Schedule the words "Soya beans." |
| 23 & 24 Geo. 5. c. 19. | The Finance Act, 1933. | Sect. 12; and, as from August 1st, 1935, in the paragraph substituted by Part I of the Seventh Schedule the words in subparagraph (b) from "which are propelled" to "light oils," sub-paragraph (c) and the definition of light oils, and in the paragraph substituted by Part III of that Schedule sub-paragraph (c) (iv) and the words "light oils." |

Some Leading Tax Cases of 1933 and 1934.

A LECTURE * delivered to the Incorporated Accountants' District Society of North Staffordshire by
MR. L. W. CAULCOTT,
Inspector of Taxes.

The chair was occupied by Mr. R. M. CHAPMAN, F.S.A.A.

Mr. CAULCOTT said : In the first place, I must make the usual disclaimer as to the utterance of official views, though I shall do my best not to mislead you.

In the second place, I trust that my lecture may play its part in preserving the very cordial relations which exist between the Inland Revenue Department in Stoke-on-Trent and the accountants of the same area. These relations are based on mutual confidence and respect, and if I can contribute something towards them I shall be well repaid for the time and research necessarily spent on preparing a lecture of this type.

The subject of my lecture falls naturally into two parts :—

- (1) Case Law in general, sub-divided into definition, occurrence, nature, procedure, and effect ; and
- (2) Case Law in particular, *i.e.* the cases of 1933 and 1934.

First of all then, what is a Tax Case ? How does it arise and what procedure is followed before it is included in the list of Tax Cases and commences to be known by the Revenue and Accountants as T.C. Vol. so and so, page so and so ?

Broadly speaking, a Tax Case is a case stated for the opinion of the High Court on some legal point in dispute between the Revenue and the taxpayer or the taxpayer and the Revenue, as the case may be. It arises out of a written request to the Commissioners under sect. 149 (a) and (b) of the Income Tax Act, 1918, which reads as follows :—

- (a) "Immediately after the determination by the General Commissioners, or by the Special Commissioners, of an appeal under this Act, the appellant or the surveyor, if dissatisfied with the determination, as being erroneous in point of law, may declare his dissatisfaction to the Commissioners who heard the appeal."
- (b) "Having declared his dissatisfaction, he may, within twenty-one days after the determination, by notice in writing addressed to their clerk, require the Commissioners to state and sign a case for the opinion of the High Court thereon."

It may be helpful to those students who are not as yet familiar with appeal practice, if at this stage I trace the matter in some detail from its inception, and for the sake of illustration I will take a case falling under Schedule D, Case 1. Accounts have been submitted to the Inspector of Taxes in the ordinary way and a point arises on which it is found impossible to see eye to eye with the Revenue authorities. In due course, an assessment is submitted to the Commissioners (it is not within the scope of this lecture to detail the legal procedure leading to the making of assessments, &c.), and the taxpayer—your client—receives a notice of assessment. Notice of Appeal is given under sect. 136, Income Tax Act, 1918, and in this connection, I should like to bring to your notice a point which is often overlooked.

* The views expressed in this lecture are the personal views of the lecturer, and no official authority attaches to them.

It is insufficient to give notice of appeal in a purely general sense. Sect. 25 (1) of the Finance Act, 1926, lays down that the appellant shall in the notice of appeal specify the grounds of the appeal, whilst the section further provides that—

"if on the hearing of the appeal the appellant desires to go into any ground of appeal which was not specified in the notice and the omission of that ground from the notice was, in the opinion of the Commissioners hearing the appeal, not wilful or unreasonable, those Commissioners shall not, by reason of anything in this sub-section be precluded from allowing the appellant to go into that ground or taking it into their consideration."

You will therefore appreciate how important it is that the grounds of appeal should be both carefully and clearly stated in the original notice of objection. In due course, the case is listed for hearing by the Commissioners and your client is advised by the Clerk to Commissioners of the date and time for the hearing, in accordance with sect. 137 (1) Income Tax Act, 1918. In practice, as a matter of courtesy, the accountant is usually advised, although there is no provision for this, and the notice of hearing is properly addressed to the taxpayer whose appeal is being heard.

The Commissioners are required by sect. 137 (8) of the 1918 Act, as amended by sect. 25 of the Finance Act, 1923, to hear any barrister or solicitor or accountant who has been admitted a member of an incorporated society of accountants. There are also provisions under sect. 26 (2) of the Finance Act, 1923, relating to permission to an agent to appear before the General Commissioners in appeals under Schedules A and B.

You are probably aware that the taxpayer may appeal (in cases of Schedules D and E only) either to the General Commissioners for the Division or to the Commissioners for Special Purposes, commonly known as the Special Commissioners. If, however, the assessment is made by the Special Commissioners, the appeal must be heard by that body, and appeals against surtax assessments are also wholly within the jurisdiction of the Special Commissioners.

We now get to the actual hearing of the appeal. Procedure at the appeal meeting varies according to the practice of the Commissioners and the importance of the case, and, broadly speaking, I might summarise the position as follows :—

After the appellant and the Revenue have stated their case in full, called witnesses as necessary and produced any evidence required by the Commissioners in support of their respective contentions, they are normally asked to withdraw while the Commissioners deliberate and consider their decision. On their re-appearance, the Commissioners' decision is pronounced, and it is at this stage that our Tax Case really commences. The party aggrieved by the Commissioners' decision may, under sect. 149 (1), declare his dissatisfaction to the Commissioners who have determined the appeal on the ground that the decision is erroneous in point of law. I must here emphasise two points :—*First*, dissatisfaction must be expressed *immediately* after the decision is given. *Second*, the dissatisfaction must be on the ground that the decision is *erroneous in point of law*. I will return to this point later in the lecture.

If, after due consideration, it is decided to carry the matter a stage further, sect. 149 (1) (b) contains provision as to the next step. Notice in writing is given by the aggrieved party, within 21 days after the determination of the appeal, to the Clerk to Commissioners, requiring the Commissioners to state and sign a case for the opinion of

the High Court. A fee of 20s. must accompany the request (*vide sect. 149 (1) (c)*).

We have now embarked on our voyage in the seas of tax litigation.

I can only tell you very briefly the various stages through which the case passes on its way to finality. The case is drafted by the Clerk to Commissioners, and after journeying between the two sides (the appellant taxpayer and the Revenue) and the Clerk to Commissioners, the facts and the determination of the Commissioners are fully set forth in the case, which is then signed by the Commissioners who heard the original appeal and gave the decision. It is now sent by the Clerk to Commissioners to the party requiring the case, and it is his duty to transmit the case to the High Court within seven days, and at the same time to send notice in writing to the other side that a case has been stated on his application, together with a copy of the case (*sect. 149 (d) and (e)*). I may mention, in passing, that even this section has given rise to a tax case on its own known as *Grainger v. Singer* (11 T.C. 704), where, shortly, the facts and decision were as follows :—

"A case required by an Inspector of Taxes was stated and sent to the office of the Inspector of Taxes from which the Case had been demanded. It was received there, but the Inspector had been transferred to another district, and his successor dealt with it so that it was not transmitted to the High Court within the statutory seven days from receipt at such office. The Crown contended that the Inspector by whom the Case had been demanded was a party personally to the appeal, and that the date on which the Case was received by him was the date on which it was received by his agent, the Solicitor of Inland Revenue.

"The Court held that the Case had been received when it was delivered at the Inspector's office from which it had been demanded."

The case having been deposited with the High Court, which means that it is filed in the King's Remembrancer's Department at the Royal Courts of Justice, the next step is to get it set down for hearing. This means informing the King's Remembrancer's Department that the case can appear in the next Revenue paper, and informing the other side accordingly. It will then appear in the next Revenue list, and eventually in the daily cause list for hearing.

In preparation for the hearing, counsel is briefed on either side. Generally speaking, the Solicitor-General or the Attorney-General appears for the Revenue. The case is argued before the Revenue Judge, and at the conclusion of the hearing judgment is either given at once or reserved. After judgment, an order embodying its terms is made either confirming or reversing the decision of the Commissioners, amending or discharging the assessment, ordering tax to be repaid with interest, &c., and dealing with costs.

So far we have been dealing with the Court of First Instance, i.e. the King's Bench Division in England, or the Court of Session as the Court of Exchequer in Scotland.

If the party requiring the case has lost the day he may still carry the battle to higher fields, assuming he is not exhausted in more senses than one. Similarly, if the judgment of the Commissioners is reversed, the original victor may also carry the war further in the hope of ultimately proving the soundness of his convictions. In other words, an appeal lies from the Court of First Instance as follows :—In England, to the Court of Appeal, and ultimately to the House of Lords; and in Scotland, to the House of Lords. This is provided for by sect.

149 (3), and the decision of the House of Lords is final and lays the case to rest.

At various stages on its peregrinations progress has been reported in the *Law Times*, *Law Journal* and other legal papers, and finally the case is printed in the official list of Tax Cases. It takes its particular niche in its particular volume of Tax Cases, and thereafter acquires its short description, e.g., *A. B. v. C. D.*, Volume 17, Tax Cases, page 123. It also appears, in due course, in such well-known books of reference as *Harrison's Index to Tax Cases* and *Dowell's Income Tax Laws*. Both of these publications will, I am sure, be well known to the senior members of my audience. If the student members have not yet made their acquaintance, may I assure them that they are as full of knowledge as an egg is of meat !

At this point I must retrace my steps and explain in further detail what is meant by the term "Erroneous in point of law." As it implies, this excludes all question of pure fact, but the question of what is fact and what is law sometimes gives rise to considerable trouble. We may have a position where a question arises of mixed fact and law, and numerous cases can be quoted dealing with the general position. Without going too deeply into the matter, there are certain broad conclusions which I may set out :—

- (a) A mixed question of law and fact is assailable in a higher Court as a matter of law (*Morley v. Lawford & Co.*, 14 T.C. 242).
- (b) The proper conclusion to be drawn from facts is itself a question of law (*Thew v. S.W. Africa Co., Ltd.*, 9 T.C. 162).
- (c) Whether there is evidence at all on which a conclusion reached by the Commissioners or another Court can be sustained is also a question of law (*Morley v. Lawford & Co.*, 14 T.C. 242).
- (d) The question of degree is a question of fact (*Cooper v. Stubbs*, 10 T.C., 55; *Geologists' Association v. Commissioners of Inland Revenue*, 14 T.C., 281).

Certain cases deal with this point of law as opposed to fact in a way which, I am sure, is of great interest to the accountancy profession. For instance, the methods in which accounts of a registered company are to be kept is one of principle and therefore of law (*J. & M. Craig (Kilmarnock), Ltd. v. Cowperthwaite*, 13 T.C., 667). On the other hand, no point of law arises where the Commissioners are dissatisfied with an account furnished to them and ask for an account certified by an accountant (*Wall v. Cooper*, 14 T.C., 557). The way in which money recovered under an insurance policy is to be dealt with in a trading account is a matter of law (*Green v. J. Gliksten & Son, Ltd.*, 14 T.C., 379). I could, of course, amplify this part of the lecture for some time, but I must have a little mercy on you. Briefly then, the High Court can only review questions of law and the Commissioners are the sole arbiters on questions of pure fact.

What is the effect of a decided tax case ? It assists in clearing up points of difficulty and it ventilates sections of the Income Tax Act on which there may be a division of opinion. It may be quoted in support of an argument where it is relevant and it may become a source of *obiter dicta*. It may become obsolete by subsequent legislation or it may prove a foundation case for income tax administration in future years. In general, a careful study of the decided cases will illustrate the foundations on which the income tax structure has been so carefully built over a long series of years. I cannot too strongly urge the younger members of my audience to study the broad

underlying principle of the Income Tax Code of this country through the medium of its Case Law.

LEADING CASES OF 1933 AND 1934.

I now come to the second part of my lecture where I propose to pass in review the leading tax cases of 1933 and 1934. I say "leading" after due thought, as I do not feel myself called upon or qualified to deal with the whole of them nor do I wish to detain you after the witching hour of ten p.m.! Moreover, I am obviously not in a position to deal with cases which are still *sub judice* or on which the time limit for appeals to a higher Court has not yet expired, and I have accordingly eliminated a number of such cases from the scope of this lecture.

I propose to consider in some detail certain of the more important cases that were decided in 1933 and 1934, and, in making my selection, I have endeavoured to embrace various aspects of Schedules A, B, D and E, and reliefs, together with one or two cases of general interest.

The first case is that of *Munro & Cobley v. Bailey* (17 T.C., 607), which was carried to the House of Lords before it was finally decided. The question at issue was whether a bulb farm was occupied as a nursery or garden for the sale of produce. The facts in the case were that the appellants occupied about 200 acres of land in Lincolnshire, consisting of open fields which were utilised for the purpose of growing bulbs, potatoes and ordinary farm crops. The lands were worked as one farm by labourers using ordinary methods of husbandry, but the cost of labour employed on the bulbs far exceeded the cost of that on the ordinary farming. For the year of appeal, 60 acres were used for bulb growing and the remaining 140 for general crops. The sales of bulbs and blooms were nearly nine times those of the general crops in value. Messrs. Munro & Cobley were assessed under Rule 8 of Schedule B, which reads as follows:—

"The profits arising from lands occupied as nurseries or gardens for the sale of the produce (other than lands used for the growth of hops) shall be estimated according to the provisions and rules applicable to Schedule D, but shall be assessed and charged under this Schedule as profits arising from the occupation of lands."

They contended that the lands were occupied solely for the purposes of husbandry and that the profits of occupation should be assessed on the annual value of the lands, but the General Commissioners came to the conclusion that "the main business of the appellants was the production of bulbs, that the land was used for gardening, that is, the production of bulbs on a more or less small scale, as distinguished from agricultural use on a large scale, so that the activities of the appellants were not those of ordinary husbandry; and we accordingly found, as a fact, that the land in the occupation of the appellants was mainly devoted to the growth of bulbs; that it was used in part as a nursery and in part as a garden for the growth and sale of bulbs; and that the farming operations carried on by the appellants were ancillary to the bulb business; and we decided that the assessment should be confirmed."

It is worthy of comment that the decision of the King's Bench Division was that there was no evidence justifying a finding of fact that would bring the case within Rule 8 of Schedule B, and in the course of his judgment Mr. Justice Finlay limited the words "for the sale of produce" to a sale on the land itself.

The appeal of Messrs. Munro & Cobley was accordingly allowed. The Crown took the case further, and in the

Court of Appeal all three judges agreed that whether the land occupied was occupied as a garden was a question of fact and that there was evidence on which the Commissioners could arrive at their decision. They further laid it down that the words "for the sale of produce" were in no sense limited to a sale where there was delivery or an immediate sale in the ordinary sense of the word at the garden gate. In both these views the House of Lords concurred, and the decision of the Commissioners was finally upheld. This case illustrates my previous remarks that the Commissioners are the sole judges of fact and also lays down a rather important point, viz., that the place of sale is not material. This case can usefully be contrasted with *Lean & Dickson v. Ball* (10 T.C., 341), where it was held that land occupied for a poultry farm was *prima facie* used for purposes of husbandry. I may remind you in passing that the decision in that case cannot be of universal application to *all* poultry-keeping businesses!

Another case illustrating the inability of the Courts to interfere with the Commissioners' findings of fact where there was evidence to support their findings is that of *Olley v. Brown* (17 T.C., 477). This was a Schedule A case regarding the ascertainment of annual value. I assume that my audience is familiar with the definition of Annual Value contained in the general rule of No. 1 Schedule A, viz.:—

- "(1) The amount of the rent by the year at which they are let, if they are let at rackrent and the amount of that rent has been fixed by agreement commencing within the period of seven years preceding the fifth day of April next before the time of making the assessment; or
- (2) If they are not let at a rackrent so fixed, then the rackrent at which they are worth to be let by the year."

Shortly, the facts were that there was a repairing lease of £380 per annum, but the assessment was £670.

The rent was held not to be a rackrent, and the assessment was confirmed. The Court refused to interfere on the ground that no question of law for its decision was disclosed in the case. This case may be taken as an authority that a rent is not technically a rackrent if in addition to the rent the lessee covenants to do the repairs, and that the assessment is not necessarily the rent plus the repairs.

Let us now turn to a case dealing with Schedule E, and one which is of considerable use in practice—the case of *Henry v. Galloway* (17 T.C., 470). The appellant, Mr. Galloway, was the chairman of directors of a limited company, and for the year 1930-31 was assessed in the ordinary way on the basis of his remuneration for the year preceding the year of assessment, under Rule 1, of Schedule E, as amended by sect. 45 (i) of the Finance Act, 1927. This rule reads as follows:—

"Tax under this schedule shall be annually charged on every person having or exercising an office or employment of profit . . . and shall be computed on the amount of all such salaries, fees, wages, perquisites or profits whatsoever therefrom for the year preceding the year of assessment."

Mr. Galloway had undertaken not to receive any remuneration unless the company's debenture interest was earned, and for the actual year 1930-31 received no remuneration, although he continued to act as chairman and director. He appealed against the assessment, and contended before the Commissioners that when his

remuneration ceased, his office also ceased to be an office or employment of profit.

He claimed, therefore, that the assessment was governed by sect. 45 (5) of the Finance Act, 1927, the material part of which reads :—

"Where in any year of assessment a person ceases to hold an office or employment . . . tax shall be charged for that year on the amount of his emoluments for the period beginning on April 6th, and ending on the date of cessation."

The Commissioners upheld his contention and the assessment was discharged. The Revenue demanded a case, which duly came before the King's Bench Division, and in the course of his judgment Mr. Justice Finlay said that an office of profit was not easy to define. It must, however, he said, be an office to which remuneration in some way or other attached. At the same time, that did not mean that in any particular year there must necessarily be any remuneration. He instanced the case of an office remunerated by a share of profits where in a time of slump, there being no profits, there would be no remuneration. None the less, the office would be one of profit, and would continue to be one of profit, even though for a year or more no remuneration accrued. He found that the non-payment of remuneration did not cause the office to cease to be an office of profit, and reversed the decision of the Commissioners. This case illustrates my previous remarks that the proper conclusion to be drawn from facts is a question of law, and it lays down that where an office or employment continues, the normal basis of assessment, i.e., preceding year, applies, irrespective of the amount of remuneration earned in the actual year of assessment.

Let us now turn to Schedule D, which, as it embraces the most important taxpayers, has naturally given rise to the majority of the cases. Schedule D is also that particular schedule of income tax law with which the accountancy profession is, in general, mainly concerned. I do not think it is within the scope of this lecture to expound the rules applicable to Schedule D, and I am assuming that these are known, at least in broad outline, to the members of my audience. There was a case decided in 1933 which is not only important in itself but of rather particular interest to accountants in that the respondent was a firm of Chartered Accountants. I refer to the case of *Heastie v. Veitch & Co.* (18 T.C., 305). The particular rules of Schedule D concerned in this case were Rule 3 (c) and 3 (b), Cases I and II. Rules 5 and 10, Cases I and II, were also involved. To refresh your memory, I might say that Rule 3 (c) by inference allows a deduction in arriving at the profits assessable under Schedule D for rent *bona fide* paid for premises used exclusively for business purposes ; Rule 3 (a) prohibits a deduction in respect of any annual interest annuity or other annual payment payable out of the profits or gains, and Rule 5 is the authority for the exclusion from the computation of tax of the annual value of premises owned and occupied for business purposes. Now what were the facts of the case ? The premises occupied for professional purposes by Veitch and Co. were owned by the senior partner, and under the terms of the partnership the firm were permitted as long as the senior partner thought fit to occupy the premises at a rent which was substantially in excess of the net Schedule A assessment on the premises. In arriving at the firm's assessment under Schedule D, the amount of the net Schedule A assessment only, and not the amount of the rent, was allowed as a deduction. Veitch & Co. claimed that the full rent should be allowed, and on appeal to the Special Commissioners it was decided that the rent was

a fair and proper rent for the premises, and was an admissible deduction in computing the profits for assessment.

The Revenue appealed, contending that the payment was an adjustment between the partners on account of their shares in the profits. This contention was upheld in the King's Bench Division, but on the case being taken to the Court of Appeal the decision of the Special Commissioners was restored. The Court of Appeal held that the payment was a *bona fide* payment of rent to the senior partner in his capacity of landlord and was an allowable deduction. The point was made that a partnership under Schedule D is a separate entity distinguishable from its individual members. It was emphasised throughout the case that the rent charged was a reasonable and fair rent, and so the case cannot be taken as an authority for allowing as a deduction the payment by a firm of a fancy rent to one of its constituent members.

The next two cases can, I think, conveniently be dealt with together, covering, as they do, two aspects of the same problem, i.e., the assessability of profits derived from illegal businesses and the effect of illegal acts. The cases in question are *Lindsay, Woodward & Hiscox v. C.I.R.* (18 T.C. 43), decided in the Court of Session, and *Southern v. A.B.* (18 T.C. 59), decided in the King's Bench Division. Briefly, in the first case, the appellant Mr. Lindsay, who had on hand a large quantity of American rye whisky, invited Messrs. Woodward & Hiscox, who were engaged in the wine trade, to join with him in a venture of shipping the whisky to U.S.A., thereby contravening the laws of that country and involving deception of the Customs authorities of this country by means of untrue declarations as to the destination of the whisky. Assessments were made on the joint venturers in respect of the profits which they made, and on appeal they contended *inter alia* that the transactions into which they had entered were fundamentally illegal and did not attract liability to income tax. In the second case, *Southern v. A.B.*, the point arose as to the liability of a bookmaker whose business consisted solely of street betting, which, as you know, or at least ought to know, is illegal.

In both cases, the assessments were confirmed, it being held that a trade or concern in the nature of trade had been carried on the profits of which were properly assessable. I could, if necessary, quote amusing and yet instructive dicta from the reports in the two cases, but will content myself with bringing out the broad points which emerge, viz. :—

- (a) the profits derived from trade are assessable ;
- (b) a trade is not prevented from being a trade because it is illegal ;
- (c) the commission of an illegal act in connection with a trade does not vitiate the nature of the trade.

As Lord Morison said in the *Lindsay* case : "If a trader committed a housebreaking and stole his rival's order book and from its information was able to increase the profits of his own business, I have no doubt that these profits are subject to tax. It is, in my opinion, absurd to suppose that honest gains are charged to tax and dishonest gains escape. The burglar and the swindler who carry on a trade or business for profit are as liable to tax as an honest business man and, in addition, they get their deserts elsewhere."

I now turn to one of the most recent cases dealing with that oft-recurring and very thorny problem as to whether a property-owning company is carrying on a trade in respect of that part of its activities represented by the turning to account of its properties. In the case in

question, that of *St. Aubyn Estates, Ltd. v. Strick* (17 T.C. 412), a company was incorporated in 1927 with powers, *inter alia*, to develop and dispose of lands and other property acquired by purchase from the life tenant of certain settled estates, amongst other things 1,200 acres of land adjoining a populous town. The company proceeded to develop a part of the land as building sites and to sell off portions of the estate as opportunities arose. It treated the proceeds of its sales of lands as transactions on capital account and no portion of these profits was distributed to the shareholders. On appeal against assessments raised in respect of the profits, the Commissioners decided that the profits from the sale of lands were the profits of a trade or business assessable to income tax. In the course of his judgment, Mr. Justice Finlay said : "When one looks at the Memorandum and Articles, when one looks at the inception of the company, when one looks at what the company in fact did, it did in fact purchase, it did in fact develop, it did in fact sell, and it did in fact make profits by selling. When one looks at all those circumstances, I think it is impossible to say that they do not constitute evidence upon which a tribunal of fact might arrive at a conclusion that here there was a trade being carried on." It was accordingly held that there was evidence on which the Commissioners could arrive at their conclusion of fact that the company was carrying on a trade of dealing in property. Shortly, therefore, the all-important point is that, whether profits from sales of property by a property-owning company are, or are not, liable to tax depends entirely on the facts, and, as I have previously emphasised, where the finding of fact cannot be attacked on the grounds of lack of evidence or the drawing of a wrong conclusion, the High Court is not in a position to interfere.

A rather useful case, that of *Cull v. Cowcher* (18 T.C. 449) illustrates for Case III of Schedule D the same problem as was illustrated for Schedule E by the case of *Henry v. Galloway*, which I have already dealt with. In the Schedule E case the point was absence of remuneration, but continuance of office. In this Schedule D case the point was absence of income but continuance of source. Case III of Schedule D, as you are aware, is the authority for the assessment of certain untaxed profits and gains among which bank deposit interest is one. In Cull's case, an unlimited liability company carrying on the business of bankers was composed of four shareholders, of whom the appellant Mr. Cull was one. For several years, the company had declared dividends, but none of the shareholders drew the whole amount due to him, the excess over what each required remaining on deposit with the company at interest by arrangement. During the year ended March 31, 1931, the Board of partners who were the shareholders resolved to forgo interest on their deposit accounts for the time being, interest in previous years having been duly credited. An assessment was raised on Mr. Cull for the year 1930-31 on the basis of the amount of interest arising within the year preceding the year of assessment, and on appeal it was contended that the source of income was not the deposit but the contract to pay interest, and that the contract ceased when the shareholders agreed to forego interest. The Special Commissioners, by whom the appeal was heard, considered that the appellant did not cease to possess the source of income in the year of assessment and confirmed the assessment. Mr. Justice Finlay agreed that the deposit was not the source which he held to be the right to derive income from the deposit and gave two useful illustrations of this—

- (1) A case of money lent on bond or debenture with the special terms that interest should not be paid

unless the profits exceeded a particular amount ; and

- (2) A case of a bond or debenture and the holder, being interested in other ways in the company, agrees that interest to which he is entitled he will not take.

In both these cases the source would, he said, continue. He held, in the case of *Cull v. Cowcher*, that the source, i.e. the right to receive income, had not ceased in the year of assessment and accordingly upheld the decision of the Special Commissioners. It follows that where the source continues, even though there is an absence of income for a particular year, an assessment can be sustained on the ordinary basis of assessment, which is normally in Case III of Schedule D the income of the year preceding the year of assessment.

There was a case decided in 1933 ostensibly on a point of Supertax which, as you are aware, is an additional charge of tax on incomes exceeding a certain limit (at present the tax, known as surtax and formerly as supertax, is leviable on all incomes exceeding £2,000 a year) and this case—*Lewis v. C.I.R.* (18 T.C. 174)—is of very great importance also from an Income Tax standpoint. Indeed, it vitally concerns yourselves who are often called upon to assist taxpayers in the completion of their statutory returns of income. Most of you are familiar with the forms which are issued at the commencement of the income-tax year and which require statements of total income for assessment purposes. There are two main kinds of forms issued under Schedule D—Form I to firms and Form II to individuals and individual partners of firms. Now why is a Form I required ? The answer is contained in Rule 10 of Cases I and II of Schedule D, sub-sect. (1) of which is as follows :—

Rule 10 (1). "Where a trade or profession is carried on by two or more persons jointly, the tax in respect thereof shall be computed and stated jointly and in one sum and shall be separate and distinct from any other tax chargeable on those persons or any of them and a joint assessment shall be made in the partnership name."

Under sub-sect. (2) of the same rule the precedent acting partner is responsible for the completion of the return on Form I of the partnership profits. This rule has merely brought us to the firm's gross assessment. How does each individual partner ascertain the figure of his share of the firm's assessable profit to be included in his individual return on Form II. This is provided for by another rule—sect. 20 of the Income Tax Act, 1918, the second proviso of which reads as follows :—

Proviso (ii). "The income of a partner from a partnership carrying on any trade, profession or vocation shall be deemed to be the share to which he is entitled during the year to which the claim relates, in the partnership profits, such profits being estimated according to the several rules and directions of this Act."

The facts in the case of *Lewis v. C.I.R.* were as follows : The appellant, Mr. Lewis, was for a period of 13 months, extending into two income tax years, a partner in a firm, and in computing for supertax purposes his share of the partnership income for each year the statutory income, arrived at under the appropriate income tax rules, was apportioned amongst the partners by first allocating to each partner the appropriate salary, interest on capital or commission to which he was entitled for that year, and then dividing the balance among the partners in the proportions to which the partnership deed entitled them.

Mr. Lewis's share as computed, being included in his supertax assessment, he appealed to the Special Commissioners, contending that the computation of each partner's profits should be made by first ascertaining the share of the firm's *actual* income to which each partner was entitled for the year in question, whether payable as salary, commission or share of profits, then taking each such share as a percentage of the whole and dividing the firm's statutory income for the year among the partners according to those percentages. As this sounds somewhat involved, let me illustrate by way of a simple example, irrespective of broken periods, the effect of the appellant's contention in a normal case, as compared with the normal basis adopted by the Revenue.

Example. A, B and C, partners in a firm sharing profits equally after allocation of fixed salaries and commission:

| | |
|---------------------|----------|
| Profits year (1) .. | £10,000. |
| " (2) .. | £15,000. |

Shares of year (1) and, therefore shares of firm's statutory assessment for year (2).

| | Salary. | Commission. | Share. | Total. |
|---------|---------|-------------|--------|---------|
| A | £2,500 | £2,000 | £166 | £4,666 |
| B | £1,000 | £500 | £167 | £1,667 |
| C | £3,000 | £500 | £167 | £3,667 |
| | | | | £10,000 |

SHARES OF YEAR (2).

| | Salary. | Commission. | Share. | Total. |
|---------|---------|-------------|--------|---------|
| A | £2,500 | £2,000 | £1,833 | £6,333 |
| B | £1,000 | £500 | £1,833 | £3,333 |
| C | £3,000 | £500 | £1,834 | £5,334 |
| | | | | £15,000 |

Applying Lewis's contention, the apportionment of the statutory income of £10,000 would be—

| | |
|------|--|
| A .. | $\frac{\text{£10,000}}{15,000} \times \text{£6,333} = \text{£4,222}$ |
| B .. | $\frac{\text{£10,000}}{15,000} \times \text{£3,333} = \text{£2,222}$ |
| C .. | $\frac{\text{£10,000}}{15,000} \times \text{£5,334} = \text{£3,556}$ |
| | £10,000 |

It will be seen from these figures that A's share would be decreased by £444; B's share would be increased by £555, and C's share decreased by £111. I should imagine that Mr. Lewis found himself in a position somewhat similar to that of Mr. A in my example!

The Special Commissioners decided that the assessment had been properly made and confirmed it. This decision was upheld both in the King's Bench Division and the Court of Appeal, and I do not think I can do better than quote the following passage from the judgment of Lawrence, L.J. :—

"The income of the partner for the purposes of Income Tax—which is conclusive for supertax purposes—is to be calculated on the previous year's income of the partnership, and, by sect. 20, that income is made the basis of the assessment of the partner for supertax purposes."

"Proviso (ii) of sect. 20 might well have been more plainly expressed, but I think it is to be interpreted as

meaning that the income of a partner from the partnership is to be deemed to be the share to which he would have been entitled during the year of assessment in the partnership profits, had those profits been the statutory profits; in other words, the statutory profits are to be taken as the basis of the calculation and to be treated as if they were the profits during the year of charge, and the actual profits made by the partnership during that year do not come into the calculation at all."

This case, together with that of *Gaunt v. C.I.R.* (7 T.C. 219), which was followed, can be quoted as the authority for the method adopted in practice by the Revenue of ascertaining a partner's share of a partnership assessment.

There were two cases on Personal Reliefs decided in 1933 and, strangely enough, both dealt with the relief in respect of a housekeeper.

In the case of *Kliman v. Winckworth* (17 T.C. 569) the taxpayer had obtained a divorce from his wife, and claimed allowance for a housekeeper. In the case of *Rossi v. Blunden* (18 T.C. 328) the taxpayer, who incidentally was an accountant himself, lost his wife during the year of assessment, and although he had for that year been allowed the relief appropriate to a married man, after his wife's death he made a claim to relief in respect of housekeeper for the same year of assessment.

The sections under which the particular reliefs are granted are sects. 18 and 19 of the Finance Act, 1920, as amended by the Finance Acts of 1924, 1927, and 1931. Under sect. 18, the personal allowance appropriate to a married man is granted to an individual, who proves that for the year of assessment he has his wife living with him or that his wife is wholly maintained by him during the year of assessment. Under sect. 19, amended by sect. 22 of the 1924 Act, relief is granted to an individual who proves that he is a widower and that for the year of assessment a person . . . is resident . . . with him . . . in the capacity of housekeeper. In giving this epitome of the section, I have excluded certain conditions which are not material to the cases under consideration.

Let us now take the first case. Mr. Winckworth was divorced. What, therefore, was his status for Income Tax purposes? Was he a single man, a married man, or a widower? The General Commissioners, as they said in the case, found that there was no such status for Income Tax as a divorcer or a divorcee, and were unable to find a definition for a man whose marriage had been dissolved by a decree of divorce. By a somewhat unusual process of reasoning, which included the insertion of a word in sect. 19 (i) which was not there and a reference to the Matrimonial Causes Act of 1857, and being led astray, as Mr. Justice Finlay later remarked, by perhaps a very natural sympathy, the General Commissioners held that Mr. Winckworth was a widower and granted the relief sought in respect of a housekeeper. Sad to say, when the inevitable case was demanded, Mr. Justice Finlay had to look at the matter from a purely legal standpoint. He pointed out that under the section the allowance could only be granted to a widower, and whatever Mr. Winckworth was, he was certainly not a widower, who, he remarked "was a person who had lost his wife by death."

The Commissioners' amendment to the section he refused to countenance, and as for their granting relief in equity, he repeated what many a judge had previously said—"There is no room in a Taxing Act for equitable considerations."

The second case—*Rossi v. Blunden*—was of a different type. It was really an attempt—a quite legitimate one

—to obtain both wife allowance and housekeeper allowance in the same year, and, broadly, Mr. Rossi's contention was that the fact that he had been allowed the relief due to a married man did not preclude his claim to housekeeper relief for the same year. Mr. Justice Finlay thought that the proper way to construe the two sections, i.e. sect. 18 and sect. 19, was to treat them as mutually exclusive. He thought that a man could not, for purposes of assessment and for the year of assessment, be at once a married man and a widower. It follows that an individual cannot for the same year of assessment be granted both the married allowance and the housekeeper allowance.

A rather interesting case, incidentally with local associations, was that of *Cadbury Bros., Ltd., v. Sinclair* (18 T.C. 157). The first part of the case dealt with the question as to whether the company was entitled to a deduction for the annual value of property used for its trade, although such property was not actually assessed under Schedule A by reason of a private Act of Parliament passed in 1660 in the time of Charles II giving exemption from all taxes to the owners and/or occupiers of certain lands situated at Knighton. This is one of the few cases of a private Act over-ruling a Taxing Act, and the decisive point of the case was whether the amendment to Rule 5, Cases I and II, Schedule D, contained in sect. 36 and Fourth Schedule Finance Act, 1926, deprived Cadbury Bros., Ltd., of a deduction for a notional Schedule A assessment which had been granted to them up to 1926-27 inclusive. The amendment referred to was the insertion of the words "separately assessed and charged under Schedule A," and this insertion caused Rule 5 to provide that a deduction for annual value should only be made where there was a definite and actual Schedule A assessment. Briefly, the Revenue contended that the 1926 Act had altered the position, but the company argued that the amendment had not destroyed the exemption specifically granted by Act of Parliament in the time of Charles II, and that the fact that the property was not actually assessed to Schedule A was immaterial. The King's Bench Division decided that the deduction was prohibited by the new wording of Rule 5 and found in favour of the Revenue, thus reversing the decision of the Special Commissioners.

The company appealed to the Court of Appeal, who restored the Special Commissioners' decision on the grounds that the non-deduction imposed a tax on the lands (by increasing the Schedule D assessment) in direct contravention of the Act of Charles II. The second part of the case was as to whether a Schedule A assessment covering both factory and non-factory premises (in this case a dining block) should be split so as to allow under Rule 5 (2) the gross Schedule A of the factory part and only the net Schedule A of the non-factory part. In other words, was the dining block a mill or factory or similar premises within the allowance of the gross Schedule A, where the assessment was in one sum on the whole premises? The Courts (King's Bench Division) decided that what had to be looked at was the assessable unit and that could not be split.

I had intended to deal with several other cases in the course of this lecture, but I am afraid that considerations of time and your patience will only allow me to pass them in very brief review.

Lindus & Horton v. C.I.R. (17 T.C., 442) and *Brodie's Trustees v. C.I.R.* (17 T.C., 432) held that annual payments even out of capital may constitute income in the hands of the recipients.

H. & G. Cinemas v. Cook (18 T.C., 116) was a cinema company case where the closing down of two cinemas

and the opening up of a third was held to constitute the commencement of a new trade or business.

Stewart v. Normanby Estate Co., Ltd. (18 T.C., 244) held that no Case 3 assessment could be raised on the recipient of mineral rent and royalties, where the lessee was working the minerals and was assessed under Case I. This case is an example of the point which I made earlier in my lecture regarding the effect of a tax case. In this instance, the effect of the judgment has given rise to legislation and the position must now be considered in the light of Section 21 of the Finance Act, 1934.

Finally, I cannot close the lecture without a brief reference to the case of *Neumann v. C.I.R.* (18 T.C., 332). This case and that out of which it arose—*Salisbury House Estate, Ltd., v. Fry* (15 T.C., 266)—whilst of tremendous importance and exceptional interest would require a lecture on their own, if justice were to be done to them. Very briefly, therefore, the matters being highly technical, I can only say that the short point in Newmann's case was whether a certain sum paid out of profits notionally taxed ex the Salisbury House Estate Company should be included as income in the hands of the recipient and whether an appropriate addition for tax should be made—in other words, should the sum be grossed? It was held, after the case had gone through all the three Courts, that the dividend was income to be included in a return of total income, but that although deduction of tax was authorised by the Income Tax Acts, no deduction had, in fact, been made and the dividend was not a net amount requiring to be grossed.

This most interesting case—unique, I think, in the annals of Case Law—brings my lecture to a close. I am afraid it has been a somewhat heavy lecture, but I trust it has not proved wholly uninteresting. If I have succeeded to some extent in making the dry bones of Case Law live and in showing that after all Income Tax Law and Practice are not the haphazard structure which so many people allege, but are a logical outcome of clearly defined principles, I shall have achieved my object.

Mr. Chairman and gentlemen, I thank you for your patience and your courteous attention.

INTERESTING WEDDING.

On Saturday, July 6th, the marriage took place at the Congregational Church, Harpenden, of Miss Joan Mary Elliott, only daughter of Mr. E. Cassleton Elliott, F.S.A.A., ex-President of the Society, and Mrs. Cassleton Elliott, to Mr. Ronald Edgar Simons, younger son of Mr. and Mrs. H. E. Simons. The Rev. A. A. Bourne officiated, and the choral part of the service was given by the choir of the Caldicot School.

After the ceremony, Mr. and Mrs. Cassleton Elliott received their guests at The Warren, Harpenden, and amongst those present were Mr. and Mrs. R. Wilson Bartlett, Mr. and Mrs. Walter Holman, Sir James and Lady Martin, Mr. and Mrs. Richard A. Witty, Mr. and Mrs. A. A. Garrett, Mr. Alexander Hannah, Mr. C. M. Dolby, Mr. W. Bertram Nelson, Mr. and Mrs. C. J. H. Cowdy, and the Misses Cowdy, Mr. and Mrs. Bayliss Smith, Mr. and Mrs. T. A. Ryder, Mr. and Mrs. Keith Silver, Mr. and Mrs. B. A. Glanvill, Mr. and Mrs. Frank Elliott, Mr. and Mrs. Russell Elliott, Mr. Norman Elliott, and Mr. Derek Elliott. During the reception a programme of music was given by the Band of H.M. Royal Marines (Chatham Division), by kind permission of Brigadier W. H. L. Tripp, C.B., D.S.O., M.C., and officers.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS IN SOUTH AFRICA.

APRIL-MAY, 1935.

Final.

Alphabetical Order.

BECKER, CLIVE ANTHONY PAVEY, Clerk to C. H. Currie, 58, Pim Street, Johannesburg.

DE FINE, FRANCIS JOAKIM OHLSON, Clerk to Maldwyn Edmund (Maldwyn Edmund & Co.), Stability Buildings, 106, Fox Street, Johannesburg.

GIBSON, WILLIAM BRIAN, Clerk to T. J. Paxton, Standard Bank Chambers, Market Street, Pretoria.

JACOT-GUILLARMOD, MARCEL HENRI, Clerk to Deane & Thresher, S.A. Mutual Buildings, Hoffman Square, Bloemfontein.

KIRBY, PHILIP JOHN ROYDEN, Clerk to J. D. M. Philip (Price, Waterhouse, Peat & Co.), 257, Pretorius Street, Pretoria.

MACDONALD, GORDON ALEXANDER, Clerk to James Stewart & Steyn, 14/18, United Buildings, 33, Rissik Street, Johannesburg.

ROBERTSON, ANGUS STRUAN, Clerk to A. D. Hodgson (Douglas Low & Co.), North British Buildings, Commissioner Street, Johannesburg.

ROSS-SPENCER, CHARLES JOHN, B.Com., Clerk to Alex Aiken & Carter, National Bank Buildings, Simmonds Street, Johannesburg.

WALLACE, ROBERT EDWARD, Clerk to J. D. A. S. Low (Douglas Low & Co.), North British Buildings, Commissioner Street, Johannesburg.

WHELEHAN, HUGH WALTER, Clerk to E. R. Syfret & Co., Burg and Wale Streets, Cape Town.

(16 Candidates failed to satisfy the Examiners.)

Intermediate.

Order of Merit.

LEVIE, JOSEPH, B.Com., Clerk to C. Dryden-Pritchard (Dryden-Pritchard & Co.), P.O. Box 191, Salisbury. (Fourth Place Certificate, bracketed.)

Alphabetical Order.

ADAMS, REGINALD STANHOPE, Clerk to G. K. Tucker (G. K. Tucker & Wilson), 42, Calcutta House, Loveday Street, Johannesburg.

AIRTH, ALEXANDER MITCHELL, Clerk to Hands & Shore, 106, St. George's Street, Cape Town.

ANDERSON, HEW STANLEY EVERARD, Clerk to L. A. Whiteley (Whiteley Brothers), P.O. Box 2162, Johannesburg.

BLAKER, CHARLES BERNARD, Clerk to N. D. Baxter (Charles S. Freake & Co.), Acme House, Gladstone Street, East London.

DACE, CECIL WHEATLAND, Clerk to R. B. Hogg (Whiteley Brothers), P.O. Box 2162, Johannesburg.

DICKSON, ROBERT HENRY, Clerk to Robert Hemphill (Hemphill, Anderson & Co.), Yorkshire House, corner of Rissik and Marshall Streets, Johannesburg.

EMMETT, DAVID ALBERT, Clerk to I. Levy (Levy & Co.), 106, Adderley Street, Cape Town.

FERRAR, WILLIAM HUGH, Clerk to F. H. Allsworth (Roberts, Allsworth, Cooper Brothers & Co.), 89, Stanley House, Commissioner Street, Johannesburg.

FREEBORN, LEONARD JOSEPH, Clerk to N. D. Baxter (Charles S. Freake & Co.), Acme House, Gladstone Street, East London.

HUNTER, RONALD EDWARD ANDERSON, Clerk to T. B. Trigger (Deane, Thresher & Trigger), Grad's Buildings, Reitz Street, Kroonstad.

JACK, ALAN HEATH, Clerk to Samuel Thomson (Samuel Thomson & Young), Trust Buildings, Fox Street, Johannesburg.

JARVIS, LAURENCE MURRAY, Clerk to S. L. Deane (Deane and Thresher), S.A. Mutual Buildings, Hoffman Square, Bloemfontein.

LARMUTH, GEORGE HAMILTON, Clerk to P. L. Close (J. E. P. Close & Co.), 106, Adderley Street, Cape Town.

LONG, ARTHUR EDWARD, Clerk to R. Balderston Sinclair, North British Buildings, Simmonds Street, Johannesburg.

LUMB, KEITH SEYMOUR BARRON, Clerk to P. A. M. Hands (Hands & Shore), 106, St. George's Street, Cape Town.

MCDEVILLY, BASIL STUART MARIUS, Clerk to James Stewart (James Stewart & Steyn), 14-18, United Buildings, 33, Rissik Street, Johannesburg.

McKOWEN, FRANCIS NEVILLE, Clerk to Charles Hewitt (Charles Hewitt & Trollip), 53 to 62, Sauer's Buildings, Loveday Street, Johannesburg.

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PERSSE, THOMAS DUDLEY, Clerk to E. R. Syfret (E. R. Syfret & Co.), corner of Burg and Wale Streets, Cape Town.

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WALKER, CRAIG GREENFIELD, Clerk to R. Abrahams (Wolpert & Abrahams), 1-4, Wintons Chambers, West Street, Durban.

WILLIAMS, HAROLD EDWIN, Clerk to N. S. Baxter (Charles S. Freake & Co.), Acme House, Gladstone Street, East London.

WINTERBACH, BAZIL, Clerk to E. H. Raynham (Salisbury, Beaton & Raynham), 9-11, Christian Street, Kimberley.

WOOD, GORDON BURN, Clerk to A. S. Hooper (Deloitte, Plender, Griffiths, Annan & Co.), Norwich Union Buildings, St. George's Street, Cape Town.

WYNN, JOHN ROBERT IRVIN, Clerk to B. Halsey (Halsey & George), Cato House, Smith Street, Durban.

YATES, ROBERT REUBEN, Clerk to Alec Henochsberg (H. Daniels & Henochsberg), 104, Commissioner Street, Johannesburg.

(10 Candidates failed to satisfy the Examiners.)

Preliminary.

DAVIES, NOEL VAUGHAN, c/o H. A. Olsen & Co., 12, 13 and 19, Loveday House, Loveday Street, Johannesburg.

HOGGAN, LIONEL EDWARD, Flat No. 2, 112, Harrison Street, Wanderer's View, Johannesburg.

KIDD, FRANK HENRY, c/o Price, Waterhouse, Peat & Co., 10, Standard Bank Chambers, Commissioner Street, Johannesburg.

RYCROFT, LESLIE JAMES, c/o H. W. Haley, 1-2, Holts Buildings, Durban.

WEBSTER, NEIL NORMAN, 27, Sunnyside Avenue, Westdene, Benoni.

(1 Candidate failed to satisfy the Examiners.)

ASSURANCE COMPANIES (WINDING-UP) BILL.

The following is the text of the above Bill which has been introduced into the House of Lords on behalf of the Government :-

1. The following section shall be substituted for section two of the Assurance Companies (Winding up) Act, 1933—

" 2.—(1) The Board of Trade may, by notice in writing served upon an assurance company, require it to furnish to the Board within such time as may be specified in the notice such explanations, information, accounts, balance sheets, abstracts, and statements, as they consider to be necessary for the purpose of determining whether the company is insolvent, or was insolvent at any date (not earlier than the close of the period to which the last deposited accounts and balance sheet of the company relate) specified in the notice, and may, by the notice, require any such explanations, information, accounts, balance sheets, abstracts, or statements to be signed by such number of the directors and by such officers of the company, and to be accompanied by such copies of documents, as may be specified in the notice, and to be certified as correct by an auditor approved by the Board, or by an actuary so approved, or by both such an auditor and such an actuary.

(2) If after such a notice as aforesaid has been served upon an assurance company, either—

(a) the company does not, before the expiration of the time limited by the notice, comply with all the requirements of the notice, other than such requirements, if any, as may have been withdrawn by the Board ; or

(b) the Board, after considering the material furnished pursuant to the said requirements, consider it to be expedient for the purpose aforesaid so to do ;

the Board may serve upon the company a notice in writing stating that they propose to appoint one or more inspectors to investigate the affairs of the company and to report thereon in such manner as the Board may require, and unless the company within a period of seven days from the date of the service of the notice upon it gives notice in writing to the Board that it objects to such an appointment being made, the Board may after the expiration of that period make such an appointment.

(3) If the company within the said period gives notice in writing to the Board that it objects to such an appointment being made, the Board may apply to the court for leave to make such an appointment, and the court shall grant leave unless it is satisfied by the company that such an appointment cannot reasonably be required for the purpose aforesaid, and on leave being granted the Board may make such an appointment.

(4) Where an appointment is made under this section, the provisions of subsections (3), (4) and (5) of section one hundred and thirty-five of the Companies Act, 1929, shall apply with respect to an inspector appointed under this section in like manner as they apply to an inspector appointed under that section, and any such refusal as is, or might be, made the ground of the punishment of an officer or agent of the company under the said subsection (5) shall also be a ground upon which the company may, on the petition of the Board presented by leave of the court, be wound up by the court in accordance with the provisions of the Companies Act, 1929.

(5) The expenses of and incidental to an investigation carried out by an inspector appointed under this section shall be defrayed by the Board :

Provided that—

(a) where the court grants leave to make an appoint-

ment, the court may, if it thinks fit, direct the company to repay to the Board the whole or any part of the said expenses ; and

(b) if an order for the winding up of the company by the court is made at any time within twelve months from the date on which the report of the inspector is made to the Board, or, if more than one report is so made, from the date when the first report is so made, the said expenses shall be deemed, for the purposes of the Companies Act, 1929, to be expenses properly incurred in the winding up and the amount thereof, after deducting any sum repaid to the Board pursuant to a direction given by the court under the foregoing paragraph, shall be paid out of the assets of the company *pari passu* with the taxed costs of the petition.

(6) The expenses incurred by the Board under this section shall be defrayed out of moneys provided by Parliament, but any sums paid to the Board under the proviso to the last foregoing subsection shall be appropriated in aid of the moneys voted by Parliament for the salaries and expenses of the Board, and subsection (3) of section thirteen of the Economy (Miscellaneous Provisions) Act, 1926 (which empowers the Treasury to issue out of the Bankruptcy and Companies Winding-up (Fees) Account, in aid of the moneys voted by Parliament for the salaries and expenses of the Board, sums towards meeting the charges estimated by the Board in respect of salaries and expenses under the Companies Act, 1929, in relation to the winding up of companies in England) shall have effect as if the expenses incurred by the Board under this section were expenses incurred by the Board under the Companies Act, 1929, in relation to the winding up of companies in England."

CONSEQUENTIAL AMENDMENTS.

2. In section three of the Assurance Companies (Winding up) Act, 1933, subsection (2) shall cease to have effect, and in subsection (3) for the words "under the last foregoing section" there shall be substituted the words "under subsection (1) of the last foregoing section."

SHORT TITLE AND EXTENT.

3.—(1) This Act may be cited as the Assurance Companies (Winding up) Act, 1935, and the Assurance Companies (Winding up) Act, 1933, and this Act may be cited together as the Assurance Companies (Winding up) Acts, 1933 and 1935.

(2) This Act shall not extend to Northern Ireland.

Incorporated Accountants' Golfing Society.

The summer meeting was held at Woodhall Spa, Lincs, on June 29th and 30th, and the results of the competitions were as follows :—

June 29th :—

Society's Challenge Cup.—Mr. A. Whatley, 92—12=80. Incorporated Accountants' Prize, presented by Mr. F. Martin Jenkins, Captain, won by Mr. A. Whatley, 92—12=80. Runner-up, Mr. B. Barnes, 98—18=80.

Visitors' Prize.—Mr. O. Kennedy, 91—12=79. Runner-up, Mr. W. H. Robinson, 91—11=80.

Four Ball Bogey Competition.—Mr. G. L. Foulds and Mr. W. H. Robinson, 5 up.

Nicholson Trophy (36 holes).—Mr. D. C. Brook, 82+81=163 (nett).

June 30th :—

Incorporated Accountants' Prize, presented by Mr. B. Barnes, won by Mr. F. C. A. Gorst, 95—16=79. Runner-up, Mr. D. C. Brook, 99—18=81.

Visitors' Prize, presented by Mr. F. Martin Jenkins (Captain), won by Mr. A. H. Perkins, 81—4=77. Runner-up, Mr. W. B. Douglas, 85—7=78.

The Consolidation of Housing Accounts.

A PAPER read at the annual meeting of the Institute of Municipal Treasurers and Accountants by

**MR. EDMUND LUND, M.B.E., F.S.A.A.,
CITY TREASURER, CARLISLE.**

I have previously dealt with this subject at a conference convened by the Association of Municipal Corporations in March last year; that paper and the discussion thereon are fully reported in the *Municipal Review* for April, 1934, and I propose to deal with the development of the subject as from that date without unnecessarily going over the ground again.

Critics of the proposals will no doubt assert that the scheme as embodied in the Housing Bill, even with the amendments which have been agreed to at the date of the compilation of this paper, falls short of the views expressed in my earlier paper and of what they themselves expected.

As I view the subject the facts are these. The problem is concerned with approximately 803,518 houses, erected between 1919 and March 31st last by local authorities under the provisions of the Housing Acts of 1919, 1923, 1924 and 1930, and with those in course of erection and to be built.

The financial provisions of the Acts referred to differed considerably in relation to—

- (a) amount of subsidies,
- (b) local rate contributions,
- (c) duration of subsidies,
- (d) basis of subsidies,
- (e) rents chargeable,
- (f) persons to whom houses might be let, and
- (g) audit.

These differences involved in many instances—

- (a) the fixing of rents on an artificial basis,
- (b) varying rents for the same type of house on the same housing estate and even in the same street or road,
- (c) lack of freedom to local authorities in the administration of housing, particularly in relation to the determination of rents and in the application of rent relief,
- (d) meticulous account keeping, the establishment of a separate repairs account under the 1919 Act (but not under other Acts) and various audit provisions, and
- (e) the likelihood of the administrative difficulties becoming greater as new Housing Acts come into being with financial provisions different from those previously in force.

It has to be remembered that proposals for consolidation emanated from the Association of Municipal Corporations and originally the Government were not favourably inclined to the suggestion of including the grants under the 1930 Act in a scheme of consolidation, that view being influenced by the objects and purposes for which the subsidy was given. Subsequent negotiations between the Ministry of Health and representatives of the Association resulted in the inclusion of the 1930 Act subsidy in the scheme. It has always been the view of the Institute

that any consolidation scheme, to be complete, should not only include the subsidy under that Act but should also provide for the subsidies in the new Bill to be similarly dealt with.

Regarding the negotiations that have taken place between the Ministry and representatives of the Association of Municipal Corporations, it should be remembered that the proposed subsidies under the new Housing Bill and the proposals for consolidation have not been treated as separate and divisible subjects but as matters definitely linked up and inalienably associated. Consequently, there has, of necessity, been a certain amount of give and take on both sides and it is to be recorded that throughout the negotiations there has been exhibited a general desire to secure a solution fair and equitable to both parties.

Negotiations between the Ministry and the Association resulted in considerable additions being obtained to the subsidies under the new Bill, particularly in relation to the following matters:—

- (a) The Exchequer subsidy granted in certain circumstances towards the provision of accommodation otherwise than in flats on sites of high value (Clause 31* (29));
- (b) The extension of the maximum subsidy period from 10 to 20 years (Clause 31 (29));
- (c) An increase in the Exchequer subsidy in respect of flats and the ratio of contribution by the Government to be in the proportion of two-thirds to one-third by the local authority (Clauses 30 (28), 33 (31) and Third Schedule); and
- (d) An extension of the subsidy under the 1930 Act at the present rate to houses erected under that Act by March 31st, 1938 (Clause 35 (33)).

The merging of the various housing schemes involved, in particular, a consideration of the following matters:—

- (a) *Housing, Town Planning, &c., Act, 1919.* The respective present and future financial obligations of the Government and the local authorities, especially in relation to—
 - (i) interest on loans,
 - (ii) produce of 1d. rate,
 - (iii) rents,
 - (iv) the charges for repairs and administration, and the losses due to unoccupied houses and irrecoverable rents, and
 - (v) the future contributions of the Government and local authorities.
- (b) *Housing, &c., Act, 1923.* The 50 per cent. subsidies in respect of replacement houses and as to future contributions of the Government and local authorities;
- (c) *Housing (Financial Provisions) Act, 1924.*
 - (i) A consideration of the methods of ascertaining and determining rents and the possibility of artificial rent levels being created ;
 - (ii) The existing contribution of local authorities and as to safeguarding future contributions by them ; and
 - (iii) The future contributions of local authorities under the scheme.

* The numbers of clauses quoted are those in the Bill as amended by Standing Committee A of the House of Commons. The corresponding numbers in the Bill as introduced into that House are given in brackets.

(d) *Housing Act, 1930.*

- (i) Existing subsidy conditions ;
- (ii) The provisions governing the determination of rents and the application of rent rebates ; and
- (iii) Future contributions of the Government and local authorities.

The foregoing list by no means exhausts the matters which called for consideration, but presents some of the salient features of the various Acts to be remembered when considering consolidation.

The scheme embodied in the Bill provides for its application to subsidies and rate contributions under the Housing Acts 1919 to 1930, and also to those under the 1935 Bill.

1919 SCHEME.

The number of houses erected by local authorities (including 1,103 to re-house slum dwellers but excluding 548 erected by county councils for employees) totals 170,645. The Exchequer contributions paid in respect of local authorities' houses (excluding the 548 built by county councils) during the last three years amount to—

| | | | | £ |
|---------|----|----|----|-----------|
| 1932-33 | .. | .. | .. | 6,685,478 |
| 1933-34 | .. | .. | .. | 6,494,412 |
| 1934-35 | .. | .. | .. | 6,572,100 |

1923 SCHEME.

The number of houses erected by local authorities under this scheme is as follows :

| | |
|----------------------------|--------|
| (i) Housing Schemes .. | 75,309 |
| (ii) Re-housing Schemes .. | 12,844 |

The Exchequer contributions paid in respect of local authorities' houses during the last three years amount to—

| | Housing Schemes. | Re-housing Schemes. |
|---------|------------------|---------------------|
| | £ | £ |
| 1932-33 | .. | 481,309 |
| 1933-34 | .. | 431,818 |
| 1934-35 | .. | 427,242 |
| | | 95,030 |

1924 ACT.

The number of houses erected by local authorities is 504,102. The Exchequer contributions paid in respect of local authorities' houses during the last three years are as follows :—

| | | | | £ |
|---------|----|----|----|-----------|
| 1932-33 | .. | .. | .. | 3,771,002 |
| 1933-34 | .. | .. | .. | 4,066,230 |
| 1934-35 | .. | .. | .. | 4,136,656 |

1930 ACT.

The number of houses erected up to March 31st, 1935, is as under :—

| | |
|-------------------------------|--------|
| (i) By local authorities .. | 40,618 |
| (ii) By private enterprise .. | 455 |

The Exchequer contributions paid during the last three years amount to—

| | | | | £ |
|---------|----|----|----|---------|
| 1932-33 | .. | .. | .. | 50,130 |
| 1933-34 | .. | .. | .. | 125,144 |
| 1934-35 | .. | .. | .. | 303,464 |

The only available information relating to the contributions by local authorities in respect of housing is that contained in the annual Local Taxation Returns. The particulars in the last three published Returns are in the following form :—

ANNUAL EXPENDITURE NOT MET OUT OF SPECIFIC INCOME.

| | 1930-31 | 1931-32 | 1932-33 |
|--|-------------|-------------|-------------|
| (i) Assisted housing schemes under the 1919 Act .. | 1,080,690 | 1,118,841 | 1,128,182 |
| (ii) Other State-aided housing schemes .. | 1,654,096 | 1,617,588 | 1,588,859 |
| (iii) Other housing schemes .. | 341,459 | 258,998 | 223,598 |
| | £ 3,076,245 | £ 2,995,427 | £ 2,940,639 |

CONSIDERATIONS GOVERNING THE CONSOLIDATION OF HOUSING ACCOUNTS.

Representatives of the Institute have constantly kept in mind and advised the Association of Municipal Corporations on all phases of the financial effect of consolidation, and appreciation has kindly been expressed by the Housing Committee of the Association of the services rendered. The terms now embodied in the Bill, including as they do an increase in new subsidies and an extension of the existing subsidies under the 1930 Act to March 31st, 1938, and further the freedom granted to local authorities in the future administration of housing, have induced the Committee to believe that the terms offered are the best that can be secured and that they should be accepted.

It is probably in regard to the 1919 Act subsidy that members of the Institute may be inclined to offer a certain amount of criticism, particularly having regard to the possibility of future rent reductions. The Council of the Institute were careful to draw the attention of the Association to this aspect of the problem, and whilst the Ministry were strongly urged, they were not willing to include provisions in the Bill for re-opening this question in the event of there being a future reduction in rent levels.

In connection with this matter, it should be remembered that the number of houses erected by local authorities under the 1919 Act is 170,645, and that the average rents, excluding rates, for 1919 Act non-parlour houses are from 6s. 9d. in rural areas to 8s. 6d. in county boroughs. The average for the non-parlour type for all classes of authorities (excluding London) is about 7s. 7d., and for the parlour type about 9s. 6d. Regarding the rents of houses erected under the 1923, 1924, and the 1930 Acts it is difficult to secure fully authenticated information. It is, however, assumed in official circles that the average rental (excluding rates) of 1924 non-parlour houses is round about 7s. 6d. per week in urban areas in the provinces and about 6s. 6d. in rural areas. The rents of the 1930 Act houses must, of necessity, be very much lower, for a number of circumstances which need not be recapitulated. The rents of houses erected under the 1923 Act were determined entirely by the local authority, and when the circumstances of their erection are borne in mind, it is probably fairly safe to say that the rents of those houses would be governed to a large extent by the rents of those erected under the 1919 Act.

Even at the risk of reiteration it should be emphasised that the primary object of consolidation is the removal of the many difficulties which have arisen owing to the differences in the conditions which have governed the lettings and rentals of the various houses and to provide simplicity

and elasticity in housing administration. In view of local circumstances and the varying conditions which obtain it will be necessary, and indeed imperative, for individual settlements to be made regarding future Exchequer payments. In this connection it is probable that some of the details relating to consolidation will be dealt with by Regulations or Memoranda.

The series of Acts passed since the War have, with the exception of the Act of 1923, imposed upon local authorities as a condition of receiving subsidy, various obligations which, however necessary they may have been at the time, have now become unnecessarily restrictive. The diversity of these conditions has caused serious embarrassment to local authorities in various ways, and frequently they have been misunderstood. Houses provided under the Act of 1919 were subject to an entirely different code from that governing those provided under the Act of 1924, while houses provided under the Act of 1930 were again subject to conditions differing from those imposed by the earlier Acts. It was only in regard to houses provided under the Act of 1923 (except in connection with slum clearance) that local authorities enjoyed a full discretion. Under the consolidation scheme local authorities will be free to deal with all their houses as a whole, irrespective of the special conditions of a particular Act under which subsidy was provided, and subject only to certain unified and more general conditions.

It should be remembered that much of the criticism which has been levelled at the proposals for consolidation has been at certain aspects which, it is alleged, will operate unfavourably against local authorities. The features of the scheme which are of distinct advantage to them are usually ignored. The proposals must be taken as a whole; they are designed to provide a comprehensive settlement, and if any of them were amended with a view to making them more favourable financially to local authorities, it would be necessary to reconsider all the proposals.

One of the matters dealt with in the Bill, which is of distinct advantage to local authorities, is the proposal to stabilise the 1930 Act subsidy at its present level until March 31st, 1938, notwithstanding that the fall in building costs and in rates of interest since this subsidy was fixed in 1930 might justify a substantial reduction in the scale then laid down. This concession will materially strengthen the housing resources of local authorities, as, after allowing for reasonable rentals of the 1930 Act houses, there will normally be a margin in this subsidy which will be available for reducing the rents of other houses.

Regarding the present and future rents of the 1919 Act houses and the arguments put forward that these are already too high, it must be borne in mind that local authorities have had opportunities of appealing to the Rents Tribunal (which includes representatives of local authorities) where it was felt that the rents approved by the Ministry were excessive. Only in very few instances have local authorities exercised this right in recent years. Circumstances which will influence future rent reductions include the demand for houses, the increase or decrease in rates of pay of those who occupy them, and the trend of future building costs. The recent increases in the wages of building trade operatives made by the National Council for the building industry is an indication that there is not likely to be a reduction in building costs for some time.

The future portion of the Exchequer subsidy applicable to 1919 Act houses will be varied by fluctuations in the produce of the penny rate and by variations in the rate of interest on loans. To meet possible future contingencies generally, the Ministry have agreed to an additional 2 per cent. of the estimated annual rent income being

made for that purpose. The grant of this allowance was a concession which the representatives of the Institute obtained in the course of the negotiations with the Ministry prior to the introduction of the Bill.

Reference has been made to the difficulty which local authorities at present experience by reason of the varying rents for houses of similar type. The removal of rent control by the Ministry, not only over 1919 Act houses but also over those erected under the other Acts, and the removal of restrictions as to letting, will undoubtedly do much to facilitate the administration of housing. This, and the freedom to utilise the rent pool for the granting of assistance where needed, are advantages which must be recognised.

The 1924 Act definitely aimed at the provision of houses to be let at rents which tenants could afford to pay, and the conditions attaching to the Act were entirely different from those relating to the 1919 and 1923 Acts. The creation of a rent pool or differential rents was clearly established, the determination of the rents being dependent either upon the capital cost and the attendant charges thereon or upon the current rents of pre-War houses for the working classes, and whilst the Government contribution was static that of the local authority might be less than £4 10s. or £3 15s. as the case may be. The provisions of the Bill have been framed so as to determine that the future contributions of local authorities shall be fixed at the amount which immediately before March 31st, 1935, was the estimated amount to be contributed to comply with the special conditions contained in sect. 3 (1) (e) of the Act.

It should be remembered that the rents of the 1924 Act houses are not in any sense standard rents, that is, a level of rents which will govern the rents of similar types or classes of houses erected under other Acts. They are, in fact, subsidised rents and not those which the houses might reasonably command in a free market. Differences in the present circumstances attaching to houses erected under the 1919, 1923, 1924 and 1930 Acts may be illustrated by reference to interest charges. Should the interest charges decrease, the benefit under the 1919 Act accrues to the Government, under the 1923 Act to the local authority, and under the 1924 and 1930 Acts to the tenants, unless under the 1924 Act the rent is governed by the appropriate normal rent rules. These are conditions which are difficult to justify and evidence the necessity for overhauling the present system.

It was originally thought that the 1930 Act would have to remain outside any suggested scheme of consolidation, largely by reason of the special problem it was intended to meet and having regard to the conditions attaching to the determination of rents, the granting of rent relief, and the establishment of a "pool" into which would be placed the amount available for rent rebates and from which these would, when necessity arose, be drawn.

The position of local authorities in connection with income tax has been borne in mind; the subject is dealt with in the Income Tax Rules (Rules 25, 63 and 64 Appendix I and Supplement C). Certain amendments were suggested to and accepted by the Minister and the Board of Inland Revenue and given effect to in the Bill, in its Committee stage, in order to bring the Bill into conformity with the provisions of the Local Government Act, 1933, and to preserve the distinction between the general rate fund and an account of money therein.

The machinery to give effect to the consolidation of housing accounts is provided in Part III of the Bill, clauses 39 (37) to 49 (47), and in the Fourth Schedule.

Clause 39 (37) defines the expression "Exchequer contribution," refers to the enactments under which such contributions are payable, and indicates the modifications to be made in earlier Housing Acts in order to give effect to the consolidation proposals. It should be remembered that the extent to which Exchequer contributions can be made is governed by the terms of the Financial Resolutions submitted to Parliament with the Bill; consequently the determination of the amount of the subsidy was a matter of paramount importance prior to the introduction of the Bill. This was a matter constantly before the A.M.C. Committee in their early deliberations with the Minister and his officers.

Clause 40 (38) enacts that as a condition of the receipt of Government subsidy local authorities are to make out of the general rate fund the contributions enumerated in Part III of the Fourth Schedule, the contributions being those prescribed under the Acts of 1919, 1923, 1924 and 1930, and also those under the Bill.

Clause 41 (39) places an obligation upon every local authority possessing houses erected under the enactments mentioned in the last paragraph, or other houses in respect of which Exchequer subsidies have been received, and of such other working-class houses as may be determined, to keep a housing revenue account.

Clause 42 (40) relates to the credits and debits to be made in such revenue account, and clause 43 (41) governs the disposal of balances on the housing revenue account.

Some criticism has been made of the limitations contained in clause 43 (41), and it has been argued that it is not equitable to limit the reimbursement of deficits provided or made good out of the general rate fund to the last four preceding years, which together with the year of account makes in all five years. The matter is one which has received the closest attention of the A.M.C. Committee, and has been the subject of negotiations with the Ministry. The view is held that in its present form the clause is not likely to affect local authorities adversely to any considerable extent, and it has been impressed upon the A.M.C. by the Minister that the Government must know, within reason, what its future commitments are likely to be. In the event of there being a surplus on the quinquennial review this is to be applied by the local authority, with Ministerial consent, by transferring it to the housing repairs account or by carrying it forward in the housing revenue account to the next financial year. In so far as not so applied, the surplus remaining shall be divided into two parts as directed in clause 43 (2) (41 (2)), one of those parts being paid to the Minister and the other part to the general rate fund account.

Clause 44 (42) provides for the setting up of a housing repairs account to which is to be credited from the housing revenue account such amount, not less than 15 per cent. of the rents, as the local authority think proper, or such larger amount as may be necessary to make good a previous year's deficiency in the repairs account. This clause was amended at the Report stage to make the minimum annual contribution to the repairs Account 15 per cent. of the annual rent in addition to such amount, if any, as may be necessary to make good any deficit. It is to be noted that in the event of the sum standing to the credit of the housing repairs account being more than sufficient for the purpose for which it is provided the Minister, *after consultation with the local authority*, may give direction for the contribution to be reduced or suspended, or even for the account to be closed. Here again long discussions have taken place between the A.M.C. and the Ministry, as a result of which the words "after consultation with the local authority" have been added.

Clause 45 (43) provides for an equalisation account to be set up with the object of spreading over the loan period sums derived from Exchequer contributions and from other local authorities. The purpose of this account is one that should commend itself to financial officers.

Clause 46 (44) deals with the temporary application of monies in the housing repairs account or the housing equalisation account. The A.M.C. strongly contended that local authorities should be left free to use surplus moneys for the purpose of any statutory borrowing power without the consent of the Minister. As a result of these representations the clause was substantially recast on Report stage, and ministerial consent has now been waived. The clause, as amended, sets out the circumstances in which such monies may be used, the purposes to which it may be applied, and the conditions of its repayment. The clause as amended follows the similar provisions in numerous Local Acts.

Clause 47 (45) deals with the time and manner of the payment of the Exchequer contributions and refers to the conditions relating to records, certificates and audit that the Minister may with the approval of the Treasury impose. It is understood that the audit will be similar to the examination of the accounts now made in respect of transactions under the 1923 and 1924 Housing Acts.

Clause 48 (46) is a penalty clause and gives power to the Minister to reduce, suspend or discontinue the payment of Exchequer contributions. The provisions of this clause have been the subject of some criticism. It has, however, to be remembered that very similar provisions were contained in sect. 55 of the Housing Act, 1930, and also in sect. 104 of the Local Government Act, 1929, and I have no evidence that these have been unreasonably exercised by the Minister.

Clause 49 (47) deals with the modification of the financial provisions of the Bill in their relation to London.

THE FOURTH SCHEDULE.

The Fourth Schedule, which is divided into four parts, contains the detailed machinery for carrying into effect the clauses of the Bill relating to consolidation.

Part I sets out the enactments which provide for Exchequer contributions and Part II deals with the subsidies payable under sect. 7 of the Act of 1919 and sect. 1 (3) of the Act of 1923. The determination of the future Exchequer subsidy under the 1919 Act has been previously referred to and no part of the consolidation proposals has received greater consideration by the A.M.C. Housing Committee. Again it may be stated that it is not possible to judge the scheme by its application to particular phases, it must be in relation to the whole, and whilst doubts may be expressed as to the ultimate effect in certain localities regard must be had to the benefits which accrue in other directions.

Expressed simply and in general terms, the payment to be made by the Government in connection with the 1919 scheme is varied as fluctuations occur in the annual produce of the penny rate and in the annual loan charges, but it is not affected by future fluctuations in rent income. The charges for supervision and management, &c., are based on the experience of the past five years, and there has been a further 2 per cent. of the estimated annual rent income allowed to meet unforeseen expenses. To this I have previously referred in paragraph 25. The schemes under the 1923 Act referred to in this part of the Schedule are those for re-housing and are generally referred to as the "fifty-fifty" schemes, as the ascertained loss is borne equally by the State and the local authority.

Part III of the Fourth Schedule deals with the contributions of local authorities under the various Housing

Acts. Paragraph 9 was considerably amended in Committee as a result of representations by the Institute and is for the protection of those local authorities who had expedited loan repayments and who would be prejudiced were this not taken into account.

Part IV deals with the application of the scheme to London, and deals with the future payments to be made by the London County Council to metropolitan borough councils and the City of London, and with certain accounting procedure.

There are many other aspects of the subject which one could deal with; this paper is, however, intended to be short and may be only the text from which many sermons will be preached. Speaking as one who has been associated with the consolidation proposals from their inception, I am aware of the genuine desire of both negotiating parties to secure a settlement that is workable and which will operate to the mutual advantage of the taxpayer and the ratepayer, who after all are generally one and the same person.

Correspondence.

MANAGING AGENTS' COMMISSION.

To the Editors, *Incorporated Accountants' Journal*.

SIRS.—In reply to your correspondent, "Arcadia," at page No. 354 in the July issue, I am not at all sure that the excise duty could not be charged under the head "working expenses," on the grounds that, if the duty is not paid, the business would cease to function or work. The duty would appear to be, on these grounds, a most indispensable "working expense." However, dismissing this argument as inapplicable, what then is the position? Is the charging of the duty inhibited by the clause relating to income tax, super tax, excess profits tax, etc.? I do not think so, and for this reason. The clause just referred to defines a class or species of tax, namely, income tax, super tax and excess profits tax, so that, in interpreting the clause, one must, perforce, apply the *ejusdem generis* rule. The function of this rule is to limit the meaning of words of (usually) no limitation that appear at the end of a clause, to connote something akin to or like the class or thing defined in the clause itself. Thus, the clause we are discussing defines, as said above, a class or species of impost, namely, income tax, super tax or excess profits tax. Therefore, the words of no limitation rounding off this clause ". . . or any other assessments or taxes . . ." must be restricted in their meaning in this particular instance to taxes *like* income tax, etc., that is, to taxes *based* on income. The *ejusdem generis* rule is merely a rule enabling a reasonable interpretation of a clause to be arrived at by, as explained, limiting the meaning of words that, in themselves, are limitless. The phrase ". . . any other assessments or taxes payable to Government . . ." is wide enough in itself to embrace, say, the import duty on motor-cars or the death and legacy duties, to mention but a few. Clearly this very wide meaning was never intended for the clause, especially in view of the fact that care and trouble has been taken to define in it a particular class or species of tax.

Hence the conclusion I come to, namely, (1) the excise duty might be chargeable against profits under the head "working expenses," and (2) if not so chargeable is alternatively chargeable by reason that it is an expense not prohibited from being charged by the agreement in question.

Yours faithfully,

E. H.

Enfield, July, 1935.

District Societies of Incorporated Accountants.

BOMBAY.

ANNUAL MEETING.

At the annual meeting of the Bombay and District Society, held on June 24th, the following office bearers were elected for the year 1935-36: President, Mr. F. R. Merchant; Vice-President, Mr. N. M. Raiji; Committee: Mr. S. S. Engineer, Mr. E. J. Dastur, Mr. N. J. Shah, Mr. B. E. Kumana, Mr. M. P. Mistry; Hon. Treasurer, Mr. R. P. Dalal; Hon. Secretary, Mr. J. H. Patel; Hon. Librarian, Mr. A. K. S. Aiyar.

Report.

The Committee have pleasure in presenting their sixth annual report and accounts for the year 1934-35.

MEMBERSHIP.

During the year we have been able to add 11 new members to our roll, bringing the total number of members to 45, of whom 15 are resident outside Bombay. Out of 49 Incorporated Accountants who are residing in Bombay, we have 30 enrolled as members of our District Society, and we trust we shall be able to persuade some more to join in our activities.

STUDY CIRCLE.

Our District Society can congratulate itself upon starting an Income Tax Study Circle two and a half years ago, and adding, after about a year, a Company Study Circle. These monthly meetings have become popular amongst the members, who have expressed great appreciation of the personal benefit they have derived. During the year we held in all ten meetings, five pertaining to income tax and five to companies. The attendance was satisfactory. Thanks are due to some of our senior members for their regular attendance and contributions to the discussions, and to the Study Circle Hon. Secretary, Mr. R. K. Dalal, for providing subjects for discussion with up-to-date information, such as Recent Decisions, Current Notes and latest developments in English and Indian company law and income tax.

GOVERNMENT RULES : REGISTRATION OF ACCOUNTANTS, &c.

During the year our Society made representations to the Government of India on important matters which affected registered accountants and articled clerks. Our Society also co-operated with other registered accountants in submitting a joint memorandum (signed by over 35 registered accountants representing senior and junior firms, as well as non-practising accountants) to the Government of India on the subject of revised rules regarding engagement of articled clerks. Some of the members of our Society, with other registered accountants, also waited on a deputation to the three local members of the All-India Accountancy Board, and explained to them some of the anomalies and inequities in such revised rules.

Our Society also submitted its views to the Government on the question of new rules for Disciplinary Conduct as affecting registered accountants, and some of our suggestions were accepted. Copies of the Disciplinary Conduct Rules have already been circulated amongst our members.

It was gratifying to note that the Government accepted our Society's recommendations as regards giving some measures of relief to those students who were unsuccessful in the 1934 G.D.A. examination, which was the last to be held, as declared under the new rules for the registration of accountants.

SOCIAL FUNCTIONS.

The most important social function of the year was the dinner held on May 11th, at the Taj Mahal Hotel, to celebrate the fiftieth anniversary of our Parent Society. The dinner was attended by some of the leading citizens of the city and was supported by almost all the members of our Society. Mr. F. R. Merchant presided. Sir Phiroz Sethna's expression of views on the ability, integrity and value of Incorporated Accountants was greatly appreciated by all present.

LIBRARY.

Efforts are made every year to bring our Library up to date and in keeping with the latest requirements of our profession. Many new works by standard authors have been added, and we trust members will avail themselves of the opportunity afforded them in this connection. We invite suggestions from our members, and recommendations of books they deem useful for our Library.

BENGAL DISTRICT SOCIETY.

On matters of all-India importance pertaining to our profession we have been constantly in close co-operation with our brothers in Bengal.

SHEFFIELD.**ANNUAL MEETING.**

The forty-eighth annual general meeting of the Incorporated Accountants' District Society of Sheffield was held at the Reform Club, Sheffield, on June 25th, Mr. A. B. Griffiths, F.S.A.A., President of the District Society, occupying the chair. There was a good attendance of members and students.

The President referred to the annual report, and mentioned particularly the dinner held on October 12th, 1934, which was one of the most successful dinners held by the Society.

The report and financial statement for the year ended March 31st, 1935, were approved, and Mr. E. Ransom Harrison, F.S.A.A., and Mr. C. H. Wells, F.S.A.A., were re-elected members of the Committee.

It was with regret that the members learned of the resignation of Mr. C. A. Belbin, F.S.A.A., from membership of the Committee, and a resolution was passed thanking him for the services he had rendered to the Sheffield Society for a number of years.

Mr. Arnold Graves, A.S.A.A., was re-elected Hon. Auditor.

A vote of thanks was proposed to Mr. A. B. Griffiths for his services as President for the last two years, and Mr. Griffiths suitably replied.

After the meeting of the District Society, the Committee elected Mr. H. Cunningham, F.S.A.A., as President, and Mr. A. F. J. Girling, A.S.A.A., as Vice-President. Mr. Leslie Lewis, F.S.A.A., and Mr. D. Dudley Craig, A.S.A.A., were co-opted members of the Committee to fill vacancies. Mr. H. Gerald Toothill, A.S.A.A., was re-elected Hon. Librarian, and Mr. J. W. Richardson, A.S.A.A., Hon. Secretary and Treasurer.

The President and Secretary were appointed members of the Students' Committee.

The students held a meeting and appointed their own Committee. They nominated Mr. F. L. Moulding, A.S.A.A., and Mr. A. Ashton, A.S.A.A., their representatives on the Committee of the District Society.

SOUTH WALES AND MONMOUTHSHIRE.**(CARDIFF AND DISTRICT STUDENTS' SECTION.)**

The annual match with the Memorial Association Cricket Club was played on their ground on the evening of July 9th, 1935. The teams were composed of 12

a side. Ultimately, with only a few minutes left for play, the Memorial Association won the game by two wickets. A very pleasant and enjoyable game was well supported by the non-playing members of both sides.

SWANSEA AND SOUTH WEST WALES.**ANNUAL MEETING.**

At the annual general meeting held on June 26th, Mr. T. O. Morgan (President) in the chair, the Committee's ninth annual report and financial statement were adopted.

The retiring members of the Committee, Mr. G. G. Mullens, Mr. W. H. Ashmole, Mr. W. H. Charles, and Mr. H. Edwards, and the immediate Past-President, Mr. A. E. Goskar, were re-elected. Mr. G. E. Gibbs was reappointed Hon. Auditor.

At the Committee meeting, which followed, Mr. G. Glanville Mullens, of Port Talbot, was elected President; Mr. A. W. Sleeman, Vice-President; Mr. H. Dixon Williams, Hon. Treasurer; Mr. T. O. Morgan, Hon. Secretary; and Mr. G. Morris, Assistant Hon. Secretary.

Report.

The District Committee have pleasure in presenting their report for the year ended March 31st, 1935.

MEMBERSHIP.

The membership at March 31st, 1935, was : Members 57, Student Members 79 ; an increase of two and fifteen respectively over the previous year.

LECTURES.

The following lectures and meetings were held during the year :—

“Securities,” by Mr. A. A. Garrett, M.B.E., M.A., and general discussion.

“A Balance Sheet of a Limited Liability Company”—group discussion.

“The Douglas Credit System through an Accountant's Eyes,” by Mr. Percy H. Walker, F.S.A.A.

“Payment of Dividends out of Capital,” by Mr. D. Gethin Williams, LL.B.

“Standard Costs,” by Mr. W. H. Stalker, A.S.A.A. (Joint Meeting with Institute of Cost and Works Accountants at Swansea.)

“The Statement of Affairs,” by Mr. W. F. Cresswell, Receiver in Bankruptcy.

“Credit and Crises,” by Mr. P. S. Thomas, M.A., Swansea University.

The Committee express their thanks to the lecturers and to all who contributed to the proceedings.

With a view to improving the attendances at meetings during next Session, the Committee recommend that the monthly meetings be held alternately on Wednesday and Friday evenings.

EXAMINATION RESULTS.

Two candidates passed the Final examination, two the Intermediate, and one the Preliminary.

PARENT SOCIETY.

In April, 1935, the Fiftieth Anniversary of the Foundation of the Society was celebrated in London, the principal function being a dinner at Guildhall. Your Committee were represented at these celebrations by the Vice-President and Hon. Secretary; and also at the Annual Conference of District Societies in May, 1935, by the Hon. Treasurer and the Hon. Secretary.

COMMITTEE.

The following members retire by rotation and are eligible for re-election :—Mr. G. G. Mullens, Mr. W. H. Ashmole, Mr. W. H. Charles, Mr. H. Edwards.

YORKSHIRE.**Annual Report**

The Committee have pleasure in submitting their forty-first annual report for the year ended March 31st, 1935.

MEMBERSHIP.

The figures of membership on March 31st for the past two years are as follows :—

| | 1935. | 1934. |
|------------------|-------|-------|
| Fellows | 58 | 55 |
| Associates | 256 | 243 |
| Students | 241 | 246 |
| | <hr/> | <hr/> |
| | 555 | 544 |

LECTURES.

During the session, ten lectures were held at the Hotel Metropole, Leeds, and two at Huddersfield. The average attendance at the meetings was 35 at Leeds and eleven at Huddersfield.

The joint meeting with the Chartered Institute of Secretaries (West Yorkshire Branch) on October 23rd, 1934, was an outstanding success. The Secretary of the Parent Society, Mr. Alexander A. Garrett, paid a welcome visit to this Society, and gave an interesting Paper on "Secretarial Duties."

The following is a full list of the lectures and meetings held during the past session.

- "Process Costs," by Mr. W. H. Stalker, A.S.A.A., F.C.W.A.
- "Secretarial Duties," by Mr. A. A. Garrett, M.B.E., M.A.
- Joint meeting with the Chartered Secretaries (West Yorkshire Branch) and the Bradford District Society of Incorporated Accountants.
- "Co-partnership and Profit-Sharing," by Mr. Percy H. Walker, F.S.A.A.
- "Cost Accounting for the Textile Industry," by Mr. Jas. Reid Blyth, A.S.A.A.
- "Practical Points on Income Tax," by Mr. Wilfred Dargue, A.C.A.
- "Back Tax Cases," by Mr. Victor Walton, F.C.A.
- "Mechanical Accounting," by Mr. David C. Stewart.
- "Voluntary Winding-up of Joint Stock Companies," by Mr. C. Griffiths, M.A., LL.B., Barrister-at-Law.
- "Executorship Accounts," by Mr. Sydney Beevers, B.A., F.C.A.
- "Cost Accounts," by Mr. Walter W. Bigg, F.S.A.A., F.C.A.
- "Deeds of Arrangement," by Mr. John H. Bromley, Solicitor, Leeds.
- "The Money Policy of the National Government," by Mr. F. J. Lewcock, A.I.B., F.R.Econ.S.
- "Trusts and Trustees," by Mr. E. Westby Nunn, B.A., LL.B.

LIBRARY.

The Library continues to be well used by both senior and student members. The number of books issued was 529, as compared with 502 in 1933-34.

The Library has been kept up to date with recent editions of law and accountancy books.

EXAMINATIONS.

The Committee tender their congratulations to the successful candidates in the examinations of the Parent Society held in May and November, 1934, especially to Mr. A. Wilson, who obtained the fourth place and certificate of merit at his Final examination in May, 1934, and was also awarded the District Society prize of £2 12s. 6d.

Fourteen other students passed the Final examination during the year, and 19 were successful in the Intermediate.

EXAMINATION PRIZES FOR STUDENTS.

Since the awards set out above the following scheme has been instituted for any of our student members taking Honours at the Society's examinations during 1933-34 and in future :—

| | |
|-----------------------------------|-------------|
| Final Examination (1st place) .. | £5 5s. 0d. |
| " " (other place) .. | £2 12s. 6d. |
| Inter. Examination (1st place) .. | £3 3s. 0d. |
| " " (other place) .. | £1 11s. 6d. |

STAFF APPOINTMENTS REGISTER.

A staff appointments register is kept at the Secretary's office for student and associate members requiring appointments in the profession, at home or abroad. During the past year a good number of appointments have been arranged. Members in practice having vacancies on their staffs will greatly assist by communicating with the Secretary.

DINNERS.

A members' dinner and smoking concert was held on September 25th, 1934, at the Great Northern Hotel, Wellington Street, Leeds, to open the 1934-35 lecture session, and to welcome the new President.

During the evening the prize cheque of £2 12s. 6d. was presented to Mr. Arthur Wilson (who was successful in obtaining fourth place at the Final Examination in May, 1934), by the President, Mr. Frank Harrison, F.S.A.A.

The official dinner was held at the Great Northern Hotel, Leeds, on December 7, 1934. The President, Mr. Frank Harrison, F.S.A.A., presided over a large gathering of members and guests.

The annual dinner-dance for members and friends took place at Powolny's Restaurant, Bond Street, Leeds, on January 18th, 1935. A record number attended this New Year's function.

Changes and Removals.

Messrs. Brinley Bowen & Mills, Incorporated Accountants, have changed their address to 13, Northampton Place, Swansea.

Mr. Edward S. Hare, F.S.A.A., practising as Solomon Hare & Co., Incorporated Accountants, at 6, St. Stephen's Avenue, Bristol, announces that he has taken into partnership Mr. Ivor P. Ray, A.S.A.A., who was articled to him in 1915 and has been associated with the firm ever since. The practice will be continued under the same name and style.

Messrs. Charles Hewitt & Trollip, Incorporated Accountants, announce that the partnership has been dissolved. Mr. Charles Hewitt will continue to practise at 55-60, Sauers' Buildings, Loveday Street, Johannesburg, under the style of Charles Hewitt & Co.

Messrs. Hill, Vellacott & Co., Finsbury Circus House, London, E.C.2, announce that they have amalgamated their practice with that of Messrs. Rabbidge, Sons and Hillyer, of 3 and 4, Clements Inn, London, W.C.2. The amalgamation has taken place upon the retirement of Mr. Hugh C. Rabbidge from that firm. The continuing partner, Mr. Stanley G. Hillyer, has joined the firm of Hill, Vellacott & Co., as a partner. Messrs. Hill, Vellacott and Co. will continue to practise under the same style as heretofore.

Mr. W. H. Morgan, Incorporated Accountant (formerly practising as John R. Woodley, Morgan & Co.), of 34 and

36, Gresham Street, London, E.C.2, has entered into partnership with Mr. W. J. Back, Incorporated Accountant, as from July 1st, 1935. They will practise under the style of W. Morgan, Back & Co.

Messrs. Mortimer & Sly, Incorporated Accountants, have removed their London office to 37, High Holborn, London, W.C.1.

Messrs. Widdowson, Simpson, Wreford & Co., Incorporated Accountants, announce that the partnership has been dissolved. Mr. M. Widdowson is now practising under the style of Widdowson & Co., at Dominion Buildings, 2, South Place, London, E.C.2. Mr. R. M. Simpson and Mr. J. F. Wreford are practising under the style of Simpson, Wreford & Co., at Bank Chambers, 329, High Holborn, London, W.C.1.

Scottish Notes.

[FROM OUR CORRESPONDENT.]

Vacancy in Scottish Council.

The Council of the Scottish Branch have unanimously invited Mr. William Hill Jack, F.S.A.A., Glasgow, of Messrs. D. Hill Jack & Son, to fill the vacancy on the Scottish Council caused by the death of his father, Mr. D. Hill Jack.

A Mortality Investigation.

At a recent meeting of the Faculty of Actuaries in Scotland, the President, Mr. H. W. Brown, referred to the continuous investigation into the mortality of assured lives which was being carried out jointly by the Institute of Actuaries in England and the Faculty of Actuaries in Scotland. Two further volumes of mortality tables were in course of preparation. Each of the offices contributing to the experience had now received the promised comparison of its own mortality with that of the new experience. In the course of producing these comparisons some interesting problems had emerged which were still under consideration by the Mortality Investigation Committee. It appeared that the mortality between the different offices varied from 15 to 20 per cent. above or below the standard of the "A" 1924-29 Table. In view of the wide differences as between one office and another, and of certain anomalies that had been revealed, further statistical investigation was being made. Coincidentally with all this work the experience subsequent to that already published was being investigated, both for annuities and assurances, in order to bring information up to date.

An Insolvent's I.O.U.

A case which came before the Sheriff Court of Hawick illustrated the futility of creditors endeavouring to secure a preference by obtaining from their debtor an acknowledgment of debt in the form of an I.O.U. In the case referred to a creditor had accepted an I.O.U. from a debtor whom he knew to be insolvent. The case had been partially decided by the Sheriff-Substitute and appealed to the Sheriff Principal, who held that the I.O.U. fell to be set aside *ope exceptionis*, and reduced the pursuer's claim from £183 to 3s. 6d.

Liquidator's Appointment.

An interesting case regarding the appointment of a liquidator was decided on an appeal to the First Division of the Court of Session recently. The question in the appeal related to the appointment of a liquidator in connection with the winding up of Allied Steel Scaffolding Co., Ltd., Glasgow. At one time this company was in voluntary liquidation, and a voluntary liquidator had

been appointed. Thereafter creditors presented a petition for the winding up of the company by the Court. They suggested the name of a Chartered Accountant practising in London for appointment as official liquidator. The Sheriff-Substitute dealing with an objection to the appointment that the proposed liquidator was in London, and further that his interests were bound up with those of the petitioners, came to the conclusion, in the exercise of his discretion, that the London accountant might properly be appointed. On appeal, the Sheriff Principal, regarding the circumstances of the case as special, recalled the appointment made by the Sheriff-Substitute and appointed an independent liquidator practising in Glasgow.

The Division recalled the Sheriff's interlocutor, and reverted to that of the Sheriff-Substitute. Their Lordships were of opinion that it was undesirable to interfere with the discretion of the Judge of first instance in the appointment of liquidator.

Deposit Receipt—Claim Against Bank.

A case involving the question of the right of a bank to insist on conditions before making payment to trustees of deposit receipts in their hands was decided by Lord Wark recently. A lady customer of a bank in Campbeltown lodged two sums of £300 and £50 respectively. She handed these over, endorsed, to her law agent, who was also law agent for trustees in whose favour she had previously granted a trust disposition and settlement, by which she conveyed to them as trustees certain investments, including the sums contained in the deposit receipts, to be held for her in life, and the capital distributed among certain beneficiaries on her death.

The bank took up the position that they would make payment provided they could be assured that there was no other testamentary deed and on exhibition of a receipt showing that the estate duty had been paid, and also a letter from the deceased's husband stating that he accepted the trust disposition and assignation as binding on himself. The trustees declined to agree to any of these conditions, and the bank then required a discharge by the executors and an indemnity by the residuary legatees. The trustees as executors agreed to give a discharge and to endeavour to get the beneficiaries to give an indemnity if the bank paid the expense.

Lord Wark said that none of the defenders' contentions appeared to have any foundation in law, and in his opinion the whole defence was completely misconceived.

Scots and English Law.

The fifth lecture in connection with the David Murray lectureship was delivered by Lord Dunedin in Glasgow recently. Lord Dunedin, in opening, referred to the valuable work done for English law and history by Sir Frederick Pollock, the late F. W. Haldane, and Sir William Holdsworth.

Alas, when he turned to Scotland, there was no such history extant. His friend and colleague, Lord Macmillan, inaugurated the Stair Society, which had, he heard, obtained much support in Glasgow; and it was hoped that by the efforts of the Society there might arise a Scottish historian. Whether he would be able to emulate the efforts of the historians his Lordship had mentioned was another matter. It might be difficult to find talent equal to that of the three English authors he had quoted, yet he had no fear as to the possibilities of finding Scottish talent. What was more to be feared was the dearth of material, for Scotland had on two occasions a dreadful loss. Edward I, who had overrun and for a time subdued the Scottish Lowlands, not only took the Coronation Stone—the legendary pillow of Jacob—away from Scone and set it at Westminster, where it still was, but he took away a mass of Scottish records and put them, it seemed, into the wastepaper basket, for they had disappeared; and the same thing happened again in the case of Cromwell.

After describing the differences between English and Scottish law as relating to land, his Lordship said that

in that province of the law there had been no convergencies. The land systems of the two countries were so different that convergencies were impossible. Either they had to give up the one and introduce the other, or else make a clean sweep of both and introduce something quite new. Such an impossible task had never been proposed by anyone.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. —

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

INSOLVENCY.

In Re Beecham.

Inland Revenue and Bankruptcy Department.

In cases where the Official Receiver is acting as trustee, an arrangement exists between the Inland Revenue and the Bankruptcy Department whereby creditors for annual interest are entitled to prove gross, and to appropriate any dividends received in the bankruptcy against principal until 20s. in the £ thereon has been paid. Such arrangement was not intended to apply only where the trustee is an Official Receiver, but also to outside trustees, and is likewise applicable to cases of composition or schemes of arrangement under the Bankruptcy Acts.

(Ch. ; (1934) B. & C.R., 138.)

LOCAL GOVERNMENT.

Mountford v. London County Council.

Transferred Officer.

By sect. 121 of the Local Government Act, 1929, every transferred officer is to hold office by the same tenure and on the same conditions as immediately before April 1st, 1930, and while performing similar duties is, in respect thereof, to receive not less salary or remuneration than the salary or remuneration to which he would have been entitled if the Act had not been passed.

It was held that sect. 121 being a mere transferring section, a transferred officer is in the same position with regard to the new body as he was with regard to the old body, and retains all the incidents of his former service. A county council to whom an employee of a former board of guardians has been transferred under the Act have therefore the right to dismiss him in accordance with the terms of his service agreement and to re-engage him under a new agreement at a reduced wage.

(K.B. ; (1935) 51 T.L.R., 486.)

Rex v. Monmouthshire County Council.

Inspection of Accounts.

The applications of students applying to a local authority for bursaries or allowances, made in a form approved by the Board of Education which requires a statement

by the parent or guardian of the applicant of his income, are not "vouchers" relating to the accounts of the authority within the meaning of sect. 224 (1) of the Local Government Act, 1933, so as to be open to the inspection of all persons interested before the annual audit by the district auditor.

(K.B. ; (1935) 99 J.P., 246.)

PROFESSIONAL INSTITUTES.

Faraday v. Auctioneers' Institute.

Violation of Rules.

F., a rating expert, was a member of the Auctioneers' Institute. Its rules provide that no member shall establish or join either as principal or assistant any commercial firm for the purpose of carrying on professional business. F. had a business connection with Harrods, by which the proprietors gained profits by his professional assistance.

Eve (J.) held F. was not entitled to a declaration that he had not violated the rules of the Institute. The operation of a resolution expelling F. from the Institute was suspended pending appeal.

(Ch. ; (1935) S.J., 502.)

RATES.

Commissioners of Sewers v. Cheffings.

Rates and Income Tax.

The Divisional Court held that where a drainage rate, based on the annual value of the land as assessed for income tax, has been duly made and sealed and is not appealed against, the fact that the income tax assessment is subsequently reduced on appeal does not affect the liability to pay the full drainage rate.

(K.B. ; (1935) L.J.N., 9.)

REVENUE.

Kimbers & Co. v. Inland Revenue Commissioners.

Contemporaneous Contracts for Sale of Land.

By a contract dated January 28th, 1935, a purchaser agreed to purchase and the vendors agreed to sell a plot of land for £500, and by a second contract of the same date the vendors agreed to build a house on the land for the purchaser for £1,850. The contract for the house was expressed to be conditional on completion of the purchase of the land. On March 4th, 1935, the purchase being completed, a deed of conveyance of the land to the purchaser was executed. The Commissioners, being of opinion that the two contracts constituted one transaction, assessed the stamp duty in respect of the conveyance at £18 10s. on a total consideration of £1,850.

It was held that the two contracts were separate transactions, and that as the conveyance represented only the contract for the sale of the land the consideration for it was £500, on which sum the duty should be assessed. It was immaterial that the vendors of the land were also the builders of the house.

(K.B. ; (1935) 51 T.L.R., 421.)

Dennis v. Hick.

Profits Arising from Occupation of Land.

Rule 8 of Schedule B of the Income Tax Act, 1918, provides: "The profits arising from lands occupied as nurseries or gardens for the sale of the produce (other than lands used for the growth of hops) shall be estimated according to the provisions and rules applicable to Schedule D, but shall be assessed and charged under this Schedule as profits arising from the occupation of lands."

The Court of Appeal held that a tenant of land cultivated mainly as a market garden is assessable under Rule 8 even though part of the holding is used for ancillary farming operations.

(C.A. ; (1935) L.J.N., 304.)